



# CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Approve Sale of Central City Revitalization Assessment District Bonds

**MEETING DATE:** July 17, 1996

**PREPARED BY:** Finance Director

**RECOMMENDED ACTION:** Council adopt two resolutions approving the issuance and sale of the Central City Revitalization Assessment District Bonds.

**BACKGROUND INFORMATION:** The City of Lodi has approved the formation of a Central City Revitalization Assessment District pursuant to the Municipal Improvement Act of 1913. The City has to now approve the issuance and sale of bonds pursuant to the Improvement Bond Act of 1915, and provide for the levy of annual special assessments on property to pay for the improvements financed.


At the April 17, 1996 Council meeting, Council approved a contract with NBS/Lowry, Inc., a firm with a fifty year engineering and assessment distinct history, to provide quality and cost-effective assessment administration services. In addition to providing for the annual levy, these administrative services include numerous other duties and covenants involved with such districts and bonds including monitoring and pursuing delinquencies, initiating judicial foreclosure actions, providing payoff calculations, tracking parcel changes and apportionments, adjusting for agency costs, crediting the parcels for excess funds and interest earnings, calling bonds, and providing information on the bonds and district status to interested parties. Most of these requirements are set forth in the *California Streets and Highways Code*, Division 10: Others are as dictated in the Bond Transcripts.

Tim Hachman, Bond Counsel, and John Fitzgerald, Siedler/Fitzgerald Public Finance, have been working closely with city staff to prepare the necessary financing documents. They will be present to answer any questions on the bond financing.


***Financial Impact:***

Due to the code and current taxation policy, these Assessment Districts must cover their costs and not be paid for by General Fund moneys. Therefore, all costs for administering these districts are captured in the annual levy and there is no direct cost to the City of Lodi. This articulates with the costs for the trustee/paying agent, incremental outside auditor fees, county tax collector charges, arbitrage rebate services, and similar expenses which shall be incorporated into the annual levy and spread to the parcels within the district.

**FUNDING:** No direct cost to City for administration of the assessments. Annual debt service payments will be made from assessment levies.

  
Vicky McAthie  
Finance Director

**APPROVED:** \_\_\_\_\_

  
H. Dixon Flynn -- City Manager

**RESOLUTION NO. 96- 101**

**BEFORE THE CITY COUNCIL OF THE CITY OF LODI, CALIFORNIA**

**A RESOLUTION DETERMINING UNPAID ASSESSMENTS AND  
PROVIDING FOR ISSUANCE OF BONDS**

**LODI CENTRAL CITY REVITALIZATION ASSESSMENT DISTRICT NO. 95-1**

**RESOLVED**, by the City Council of the City of Lodi, California, as follows:

**RECITALS**

1. On September 20, 1995, this Council adopted its Resolution No. 95-119, A Resolution of Intention to Acquire and/or Construct Improvements and to Refund Prior Bonds Issued (the "Resolution of Intention"), relating to the acquisition and/or construction of public improvements under and pursuant to the provisions of the Municipal Improvement Act of 1913, Division 12 of the Streets and Highways Code of the State of California for the Lodi Central City Revitalization Assessment District No. 95-1 (the "Assessment District"). By the Resolution of Intention, the Council provided that improvements bonds would be issued thereunder pursuant to the provisions of the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of the State of California (the "Bond Law") and reference to the Resolution of Intention is hereby expressly made for further particulars.

2. Notice of the recordation of the assessment and the opportunity to pay all or a portion thereof and the time so provided for receiving payment of assessments in cash has expired, and there is on file with the City Finance Director a list of all assessments which remain unpaid.

3. This Council now intends to provide for the issuance of improvement bonds upon the security of the unpaid assessments, all as hereinafter provided.

**ARTICLE I**

**Section 1.01 DEFINITIONS.** Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Resolution and of any Supplemental Resolution and of the Bonds and of any certificate, opinion, request or other document herein mentioned, have the meanings herein specified.

"Act" means the Municipal Improvement Act of 1913, Division 12 of the Streets and Highways Code of the State of California.

"Agent" means the **First Trust of California National Association**, St. Paul Minnesota, appointed under Section 2.06 hereof to perform the duties of registrar, paying agent and transfer agent, for the authentication, registration, transfer and payment of the Bonds and the Agent's assigns or any other corporation or association which may at any time be substituted in its place.

"Assessment or Assessments" means the unpaid amounts of the special assessments levied against all taxable real property within the boundaries of the Assessment District pursuant to the Act and the proceedings of the Council under the Resolution of Intention, for the purpose of paying Debt Service on the Bonds under the Bond Law.

"Assessment District" means that portion of the City designated "**Lodi Central City Revitalization Assessment District No. 95-1**," as established in proceedings under the Act and Resolution of Intention.

"Authorized Investments" means any (i) securities (other than those identified in paragraphs (a) and (d) of Section 53601 of the Government Code of the State) in which the City may legally invest funds subject to its control, pursuant to Article 1, commencing with Section 53600 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as now or hereafter amended; (ii) shares in a California common law trust established pursuant to Title I, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended, including but not limited to the California Arbitrage Management Program (CAMP); and (iii) the Local Agency Investment Fund, Sections 53600-53609 of the Government Code of the State, as now in effect or as may be amended or recodified from time to time, to the extent the Finance Director is authorized to register such investment in the Finance Director's name, and may restrict such investment if required to keep monies available for the purposes of this Resolution.

"Auditor" means the Auditor/Controller or Tax Collector of the County or other official of the County responsible for preparing property tax bills.

"Available Surplus Funds" means any surplus moneys held by the City at the end of each Fiscal Year in excess of the amounts required to pay lawful municipal obligations incurred in that Fiscal Year.

"Bond Date" means the date of initial issuance and delivery of the Bonds.

"Bond Denomination" means the amount of \$5,000 or any integral multiple thereof, which is the minimum amount in which the Bonds may be issued, except that one Bond may be issued in an odd amount.

"Bond Law" means the Improvement Bond Act of 1915, Division 10 of the California Streets and Highways Code.

"Bond Purchase Contract" means the agreement or contract whereby the City agrees to sell and the Original Purchaser agrees to buy all or a designated portion of the Bonds.

"Bond Register" means the books maintained by the Agent pursuant to Section 2.12 for the registration and transfer of ownership of the Bonds.

"Bond Year" means the twelve-month period beginning on September 2 in each year and ending on the day prior to September 2 in the following year except that (i) the first Bond Year shall begin on the Closing Date and end on the day prior to September 2 of the next calendar year, and (ii) the last Bond Year may end on a prior redemption date.

"Bonds" or "Bonds of this Issue" means Limited Obligation Improvement Bonds, City of Lodi, Series 1996-1, Lodi Central City Revitalization Assessment District No. 95-1, issued under this Resolution and the Bond Law, and at any time Outstanding.

"Certificate of the City" means a written certificate, statement, request, order or requisition signed by an Officer of the City duly authorized by the Council for that purpose.

"City" means the City of Lodi, County of San Joaquin, a municipal corporation of the State of California, duly organized and validly existing under and by virtue of the Constitution and the laws of the State of California.

"City Manager" means the City Manager or the Assistant City Manager of the City.

"Clerk" means the City Clerk of the City or Deputy City Clerk or designee thereof.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase price of such Bonds by the Original Purchaser thereof.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the issuer dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to compensation, fees and expenses of the City and the Agent and their respective counsel, compensation to any financial consultants and underwriters (other than those taken at discount on the Closing Date), legal fees and expenses, filing and recording costs, costs of preparation and reproduction of documents, costs of compliance with the Tax Code

relating to rebate to the United States under Section 5.08 and costs of printing, mailing and publication of notices with respect to the City and the Project.

"Costs of Issuance Fund" means the City of Lodi, Lodi Central City Revitalization Assessment District No. 95-1, Limited Obligation Improvement Bonds, Costs of Issuance Fund established under Section 4.03 of this Resolution.

"Council" means the City Council of the City.

"County" means the County of San Joaquin, State of California.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation including any Sinking Fund Payments, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Escrow Fund" means the City of Lodi, Lodi Central City Revitalization Assessment District No. 95-1, Limited Obligation Improvement Bonds, Escrow Fund established under Section 4.06 of this Resolution.

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

- (b) obligations of any department, agency, or instrumentality of the United States of America, the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

"Finance Director" means the Finance Director of the City or designee thereof.

"Fiscal Year" means the period commencing on July 1 of each year and ending on the next succeeding June 30.

"Improvement Fund" means the City of Lodi, Lodi Central City Revitalization Assessment District No. 95-1, Limited Obligation Improvement Bonds, Improvement Fund established under Section 4.02 of this Resolution.

"Interest Payment Date" means each date upon which interest on the Bonds is payable, beginning March 2, 1997, and semiannually on each September 2 and March 2 thereafter until maturity.

"Officer of the City" means the City Manager, Finance Director, City Clerk, Director of Public Works, or any other official of the City authorized by the Council to carry out the terms of this Resolution.

"Original Purchaser" means the first purchaser of the Bonds from the City under the Bond Purchase Contract.

"Outstanding," when used as of any particular time with reference to the Bonds, means all Bonds theretofore executed, issued and delivered by the City and authenticated by the Agent under this Resolution except:

(a) Bonds theretofore cancelled by the Agent or surrendered to the Agent for cancellation;

(b) Bonds paid or deemed to be paid within the meaning of Section 6.03; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the City and authenticated by the Agent pursuant to this Resolution or any Supplemental Resolution.

"Owner" or "Registered Owner," when used with respect to any Outstanding Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Register.

"Principal Office" means the First Trust Center of the Agent in St. Paul, Minnesota, or such other office as shall be designated by the Agent in writing to the City.

"Prior Bonds" means the improvement bonds, Series 1984-1, issued by the City May 24, 1984, in its proceedings for the Lodi United Downtown Assessment District, Beautification Project.

"Project" means the the acquisition and improvements described in the Resolution of Intention and any changes and modifications thereto approved by the Council.

"Rebate Fund" means the fund by that name established by the City pursuant to the Tax Certificate.

"Record Date" means, with respect to the Bonds, the fifteenth (15th) day immediately preceding an Interest Payment Date.

"Redemption Fund" means the City of Lodi, Lodi Central City Revitalization Assessment District No. 95-1, Limited Obligation Improvement Bonds, Redemption Fund established under Section 4.04 of this Resolution.

"Redemption Premium" means two percent (2%) of the principal amount of the Bonds payable upon optional advance redemption of the Bonds as set forth in Section 2.14 of this Resolution.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to this Resolution.

"Refunding Date" means the date (as specified in Exhibit A) prior to which the Bonds are not subject to refunding pursuant to Section 2.15 of this Resolution.

"Reserve Fund" means the City of Lodi, Lodi Central City Revitalization Assessment District No. 95-1, Limited Obligation Improvement Bonds, Reserve Fund established under Section 4.05 of this Resolution.

"Reserve Requirement" means the amount not exceeding the lesser of (a) ten percent (10%) of the principal amount of the Bonds, (b) 125% of the average annual Debt Service of the Bonds, or (c) the maximum annual Debt Service of the Bonds.

"Resolution" or "Resolution of Issuance" means this Resolution, as originally adopted or as it may from time to time be supplemented, modified or amended by any Supplemental Resolution pursuant to the provisions hereof.

"Resolution of Intention" means Resolution No. 95-123, A Resolution of Intention to Acquire and/or Construct Improvements and to Refund Prior Bonds Issued, adopted by the Council on September 20, 1995, as modified or amended and in effect on the Closing Date.

"State" means the State of California.

"Supplemental Resolution" means any resolution, agreement or other instrument hereafter duly adopted or executed by the City in accordance with the provisions of this Resolution.

"Tax Certificate" means the Tax Certificate executed and delivered by the City on the date of initial issuance and delivery of the Bonds setting forth the requirements of the Tax Code with respect to the Bonds and incorporated herein pursuant to Section 5.08.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated under the Code.

**Section 1.02 RULES OF CONSTRUCTION.** All references in this Resolution to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

**Section 1.03 EQUAL SECURITY.** In consideration of the acceptance of the Bonds by the Owners thereof, this Resolution shall be deemed to be and shall constitute a contract between the City and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

## **ARTICLE II ISSUANCE OF BONDS**

**Section 2.01 BONDS AUTHORIZED.** All acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds have existed, happened and been performed in due time, form and the manner as required by law, and the Council is now authorized pursuant to each and every requirement of law to issue the Bonds in the manner and form as in this Resolution provided. The Bonds will be issued as serial and/or term bonds as set forth in the Bond Purchase Contract and Exhibit A hereto.

**Section 2.02 UNPAID ASSESSMENTS.** The Assessments now remaining unpaid are as shown on the list of unpaid assessments on file with the Finance Director, which list is hereby approved and which is incorporated herein by this reference and made a part hereof. For a particular description of the lots or parcels of land bearing the respective assessment numbers set forth in that list, reference is hereby made to the assessment and to the diagram, and any amendments thereto, recorded in the office of the Director of Public Works of the City, after confirmation thereof by the Council.

**Section 2.03 ISSUANCE OF BONDS.** The Bonds, in the aggregate principal amount of not to exceed \$2,100,000, shall be issued as hereinafter provided and be secured by the moneys in the Redemption Fund and by the Assessments, or portion thereof, in accordance with, under and pursuant to the provisions of the Resolution of Intention and the proceedings thereunder duly had and taken. The actual principal amount shall be as set forth in Exhibit A hereto. The Bonds shall be known as "Limited Obligation Improvement Bonds, City of Lodi, Series 1996-1, Lodi Central City Revitalization Assessment District No. 95-1", and shall be dated the Bond Date. The Bonds are limited obligations of the City pursuant to Section 5.03 of this Resolution.



**Section 2.04 MATURITIES OF BONDS.** The Bonds shall be issued in only fully registered form, without coupons, in the Bond Denomination, so long as no Bond shall have more than one maturity date. The Bonds shall be dated with the Bond Date and mature on September 2 in each of the years and in the amounts set forth in Exhibit A hereto. The Bonds shall be numbered or otherwise identified as determined by the Agent.

**Section 2.05 INTEREST ON BONDS.** The Bonds shall bear interest at the rate or rates set forth in Exhibit A hereto.

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Agent mailed by first class mail on or before each Interest Payment Date to the Owner, at the address of such Owner as it appears on the Bond Register. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof at the Principal Office of the Agent. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America. Upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, such interest shall be paid on the Interest Payment Date by wire transfer in immediately available funds to an account in the continental United States of America designated by such Owner to the Agent on or before the applicable Record Date preceding such Interest Payment Date.

Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. The Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication of the Bonds, except for any Bond which is authenticated on an Interest Payment Date, in which event such Bond shall bear interest from such date of authentication, and except for any Bond which is authenticated prior to the first Interest Payment Date, in which event such Bond shall bear interest from the Bond Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the date to which interest has previously been paid or made available for payment in full. The Bonds shall continue to bear interest after maturity at their interest rates, provided that they are presented at maturity and payment thereof is refused upon the sole ground that there are not sufficient moneys in the Redemption Fund. If not presented at maturity, interest will run on the Bonds until maturity.

**Section 2.06 DESIGNATION OF AGENT.** First Trust of California National Association, at its corporate trust office, San Francisco, California, is hereby designated as the Agent to perform the actions and duties required under this Resolution for the

authentication, registration, transfer, and payment of the Bonds. The City Manager is hereby authorized and directed to enter into an appropriate agreement with the Agent for such purposes.

**Section 2.07 FORM OF BONDS.** The Bonds, the form of Agent's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit B attached hereto and by this reference herein incorporated, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution. "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery or pay for the Bonds. In addition, failure on the part of the City or the Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

**Section 2.08 PREPARATION AND DELIVERY OF BONDS.** Upon execution of the Bond Purchase Contract on behalf of the City, the Finance Director is hereby directed to cause the Bonds to be prepared in accordance with this Resolution and to cause their delivery upon their completion and execution to the Agent, who shall authenticate and deliver the Bonds to the Original Purchaser, upon receipt of the purchase price therefor, and upon receipt of the request of the City.

**Section 2.09 EXECUTION OF BONDS.** The Bonds shall be signed in the name and on behalf of the City with the manual or facsimile signatures of the Finance Director and attested by the manual or facsimile signature of the Clerk. The Bonds shall then be delivered to the Agent for authentication. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Agent or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the City as though the individual who signed the same had continued to be such officer of the City. Also, any Bond may be signed on behalf of the City by any individual who on the actual date of execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit B, manually executed by the Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Agent shall be conclusive evidence that the Bonds so authenticated

have been duly authenticated and delivered hereunder and are entitled to the benefits of this Resolution. The Agent's certificate of authentication on any Bonds shall be deemed to be executed by it if signed by the Agent or by an authorized officer or signatory of the Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereunder.

**Section 2.10 TEMPORARY BONDS.** The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Finance Director and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary bond shall be executed by the officers designated and in the manner provided in Section 2.09 hereof and be registered and authenticated by the Agent upon the same conditions and in substantially the same manner as definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation, in exchange therefor at the Principal Office of the Agent and the Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds authenticated and delivered hereunder.

**Section 2.11 TRANSFER AND EXCHANGE OF BONDS.** Any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Agent, duly executed. Whenever any Bond shall be surrendered for transfer, the Agent shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. Bonds may be exchanged at the Principal Office of the Agent for Bonds of the same tenor and maturity and of other authorized denominations. No Bonds the notice of redemption of which has been given pursuant to Section 2.14 shall be subject to transfer or exchange pursuant to this Section. Neither the City nor the Agent shall be required to make such exchange or registration or transfer of Bonds on or after the Record Date. For any transfer or exchange under this Section, the City and the Agent may require the payment of a reasonable fee to cover the costs and expenses of the City and the Agent.

**Section 2.12 BOND REGISTER.** The Agent will keep or cause to be kept at its Principal Office a Bond Register for the registration and transfer of the Bonds, which shall

at all times during regular business hours be open to inspection by the City with reasonable prior notice; and, upon presentation for such purpose, the Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

**Section 2.13 BONDS MUTILATED, LOST, DESTROYED OR STOLEN.** If any Bond shall become mutilated, the Agent shall thereupon authenticate and deliver a new Bond of like maturity and principal amount in an authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Agent shall be cancelled by it and destroyed. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Agent and, if such evidence is satisfactory to them and indemnity satisfactory to them shall be given, the Agent shall thereupon authenticate and deliver a new Bond of like maturity and principal amount in an authorized denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Agent). The City and the Agent may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the City and the Agent. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the City whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds secured by this Resolution and any Supplemental Resolution.

**Section 2.14 REDEMPTION PRIOR TO MATURITY.**

Optional Redemption. Each Outstanding Bond, or any portion thereof in the amount of the Bond Denomination, may be redeemed and paid in advance of maturity upon any Interest Payment Date in any year by giving 30 days notice by registered or certified mail or personal service to the Registered Owner as required by applicable provisions of the Bond Law and by paying the principal amount thereof together with the Redemption Premium plus interest to the date of advanced maturity, unless sooner surrendered, in which event such interest shall be paid to the date of payment, all in the manner and as provided in the Bond Law. Neither the failure of any Registered Owner to receive redemption notice nor any defect in such notice shall affect the sufficiency of the proceedings for redemption of such Bonds.

The Finance Director shall cause to be called for redemption and retire Bonds upon prepayment of Assessments in amounts sufficient therefor, or whenever sufficient surplus funds are available therefor in the Redemption Fund.

The provisions of Part 11.1 of the Bond Law are applicable to the advance payment of Assessments and to the calling of the Bonds.

**Section 2.15 REFUNDING OF BONDS.** The Bonds may be refunded by the City pursuant to the procedures of Division 11 or 11.5 of the Streets and Highways Code of California upon the conditions as set forth in appropriate proceedings therefor, all as determined by the Council; provided, however, that the Council hereby determines that the Bonds shall not be subject to such refunding procedures prior to the Refunding Date. This determination shall not apply to, or in any manner limit, advancement of the maturity of any Bond or Bonds pursuant to Parts 8, 9, 11 or 11.1 of the Bond Law, nor shall this determination apply to, or in any manner limit, the redemption and payment of any Bonds pursuant to any subsequent proceedings which provide for the payment in full of all amounts necessary to eliminate any fixed special assessment liens previously imposed upon any assessment parcel within the Assessment District.

### **ARTICLE III SALE AND DELIVERY OF BONDS**

**Section 3.01 SALE OF BONDS.** The Bonds shall be sold to the Original Purchaser pursuant to a Bond Purchase Contract between the City and the Original Purchaser. The City Manager is hereby authorized to negotiate and execute the Bond Purchase Contract with the Original Purchaser for the sale of the Bonds, subject to such conditions as shall be provided by separate resolution of the Council.

**Section 3.02 FURTHER AUTHORITY.** The Officers of the City are hereby authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Resolution, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

The City Manager and the Clerk are authorized to complete and to approve changes in any provisions of this Resolution and Exhibit A hereto in order to accomplish the delivery of any of the Bonds on schedule; such changes may be accomplished by attachment of a certificate, executed by both such officers, to this Resolution on file in the office of the Clerk.

**ARTICLE IV**  
**APPLICATION OF PROCEEDS OF BONDS**  
**ESTABLISHMENT OF FUNDS**

**Section 4.01 APPLICATION OF PROCEEDS OF SALE OF BONDS.** Upon receipt of the proceeds of sale of the Bonds on the Closing Date, the proceeds thereof shall be forthwith set aside, paid over and deposited by the Finance Director, as set forth in the Bond Purchase Contract, a Certificate of the City, this Article IV and Exhibit A hereto.

**Section 4.02 IMPROVEMENT FUND.** The Improvement Fund is hereby established as a separate fund to be held by the Finance Director to the credit of which deposits shall be made as required by Sections 4.01 and 4.03. The moneys in the Improvement Fund shall be disbursed for the purpose of paying or reimbursing the costs of acquiring and constructing the Project, including but not limited to all costs incidental to or connected with such acquisition and construction. Disbursements from the Improvement Fund shall be subject to the provisions of Sections 5.08 hereof. Any surplus remaining after payment of all such costs and expenses shall be used as set forth in the proceedings pursuant to the Resolution of Intention and applicable provisions of the Act and the Improvement Fund shall be closed.

**Section 4.03 COSTS OF ISSUANCE FUND.** The Costs of Issuance Fund is hereby established as a separate fund to be held by the Finance Director. The moneys in the Costs of Issuance Fund shall be used solely for the purpose of the payment of Costs of Issuance on or after the Closing Date. Any funds remaining in the Costs of Issuance Fund on the date that is six months after the Closing Date shall be transferred to the Improvement Fund and the Costs of Issuance Fund shall be closed.

**Section 4.04 REDEMPTION FUND.**

(A) Establishment of Redemption Fund. The Redemption Fund is hereby established as a separate fund to be held by the Finance Director to the credit of which deposits shall be made as required by Sections 4.01, 4.05(D), 5.01 and, if applicable, Section 4.02 and any other amounts required to be deposited therein by this Resolution or the Bond Law. Moneys in the Redemption Fund shall be held for the benefit of the City and the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

(B) Disbursements. On or before each Interest Payment Date, there shall be withdrawn from the Redemption Fund and delivered to the Agent for payment to the Owners of the Bonds the principal of, and interest and any premium, then due and

payable on the Bonds. Five (5) business days prior to each Interest Payment Date, the Finance Director shall determine if the amount then on deposit in the Redemption Fund is sufficient to pay the Debt Service due on the Bonds on such Interest Payment Date; and if such amount is insufficient for such purpose, the Finance Director shall transfer to the Redemption Fund from the Reserve Fund, to the extent of any funds available therein, the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund and deposited to the Redemption Fund shall be applied to the payment of the Bonds. If, after such transfers, there are insufficient funds in the Redemption Fund to make the payments provided for in the first sentence of this Section 4.04(B), the available funds shall be applied first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds, and then to payment of principal due on the Bonds by reason of Bonds called for redemption pursuant to Section 2.14 hereof.

#### **Section 4.05 RESERVE FUND.**

(A) Establishment of Fund. The Reserve Fund is hereby established as a separate fund to be held by the Finance Director to the credit of which an initial deposit shall be made on the Closing Date as required by Section 4.01, which Reserve Requirement is equal initially to seven percent (7%) of the principal amount of the Bonds. Proceeds from redemption or sale of properties with respect to which payment of delinquent Assessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund. Moneys or assets in the Reserve Fund shall be held in trust for the benefit of the City and the Owners as a reserve for the payment of principal of, and interest and any premium on, the Bonds. The Finance Director shall cause the Reserve Fund to be administered in accordance with Part 16 of the Bond Law.

(B) Use of Fund. Except as otherwise provided in this Section 4.05, all amounts deposited in the Reserve Fund shall be used and withdrawn solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or in accordance with the provisions of this Section 4.05, for the purpose of redeeming Bonds.

(C) Prepayment of Assessments. Whenever, after the issuance of the Bonds, an Assessment is prepaid, in whole or in part, as provided in the Bond Law, the Reserve Fund may be reduced in an amount equal to the product of the ratio of the original amount of the Assessment so paid to the original amount of all Assessments, times the initial Reserve Requirement. The prepayer shall be entitled to a credit in a like amount in

determining the amount of such prepayment, and the amount of such credit shall be transferred from the Reserve Fund to the Redemption Fund.

(D) Transfer of Excess of Reserve Requirement. Whenever the balance in the Reserve Fund exceeds the then applicable Reserve Requirement, there shall, except as provided in Section 5.08 hereof for purposes of rebate, be transferred on or before the next Interest Payment Date an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used in accordance with Part 16 of the Bond Law. If such balance when added to the Redemption Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Assessments shall be discontinued and the Reserve Fund liquidated in retirement of the Outstanding Bonds at the written direction of the City. If such balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Bonds, the excess after payment of amounts due to the Finance Director, shall be transferred to the City to be used in accordance with the Act and the Bond Law.

**Section 4.06 ESCROW FUND.** The Escrow Fund is hereby established as a separate fund to be held by the Finance Director to the credit of which an initial deposit shall be made on the Closing Date as required by Section 4.01. The Escrow Fund shall be maintained and disbursed solely for the advance redemption of the Prior Bonds outstanding on the Closing Date.

(A) The Finance Director shall direct the paying agent for the Prior Bonds to give written notice by registered mail, substantially in the form attached hereto as Exhibit C and herein incorporated by this reference, to each holder or owner of the Prior Bonds at least 60 days prior to January 2, 1997, the date of advanced maturity.

(B) The Finance Director shall pay from the Escrow Fund to the paying agent for the Prior Bonds the amount of such agent's fee and costs incurred for such notice and upon the surrender of the Prior Bonds to such agent shall pay to the agent the amount of the principal of, the premium on and interest accrued to the date of payment or date of advanced maturity, whichever is earlier.

(C) In the event that any of such Prior Bonds are not timely surrendered for redemption, the Finance Director shall hold in the Escrow Fund for the credit of the owner or holder of such Prior Bonds the amount of the principal of, the premium, and interest accrued, on such Prior Bond to such date of advanced maturity and interest thereon shall cease.



**Section 4.07 INVESTMENT OF FUNDS.** Moneys in the Improvement Fund, the Costs of Issuance Fund, the Redemption Fund, the Reserve Fund, and the Escrow Fund shall, whenever practicable, be invested in Authorized Investments, maturing not more than five (5) years after the date of investment. Any income therefrom or interest thereon shall accrue to and be deposited in the fund from which such moneys were invested, subject to the provisions of Sections 4.05 and 5.10 hereof. The Agent shall invest any moneys held by it only upon written direction of the City.

## **ARTICLE V COVENANTS OF THE CITY; TAX COVENANTS**

**Section 5.01 COLLECTION OF UNPAID ASSESSMENTS.** The City shall comply with all requirements of the Act, the Bond Law and this Resolution to assure the timely collection of the Assessments, including, without limitation, the enforcement of delinquent Assessments. To that end, the following shall apply:

(A) The Assessments as set forth on the list on file with the Finance Director together with the interest thereon, shall be payable in annual installments corresponding in number and proportionate amount to the number of installments and principal amounts of Bonds maturing or becoming subject to mandatory prior redemption under Section 2.14 hereof. An annual proportion of each assessment shall be payable in each Fiscal Year preceding the date of maturity or mandatory prior redemption date of each of the Bonds issued, sufficient to pay the Bonds when due (including Sinking Fund Payments). All sums received from the collection of the Assessments and of the interest and penalties thereon, less amounts retained by the City for administrative costs, shall be placed in the Redemption Fund immediately upon receipt from the County Tax Collector.

(B) The Finance Director shall, before the final date on which the Auditor will accept the transmission of the Assessments for the parcels within the Assessment District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Assessments on the next secured tax roll. The Finance Director is hereby authorized to employ consultants to assist in computing the installments of the Assessments hereunder and in reconciling Assessments billed to amounts received as provided in subsection (C) of this Section 5.01.

(C) The annual proportion of each Assessment coming due in any year, together with the annual interest thereon, shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. In addition to any amounts authorized pursuant to section 8682 of the Bond Law to be included with the annual amounts of installments as aforesaid, the City, pursuant to section 8682.1 of the Bond Law, may cause to be entered on the assessment roll on which taxes will next become due, opposite each lot or parcel of land within the Assessment District in the manner set forth in section 8682 of the Bond Law, each lot's or parcel's pro rata share of the estimated annual expenses of the City in connection with the administrative duties thereof for the Bonds, including, but not limited to, the costs of registration, authentication, transfer of the Bonds, the administration and collection of assessments, the administration of the Reserve Fund or other related funds, and compliance with the provisions of this Article V and payment of amounts required to be rebated to the United States pursuant to the Tax Code. If the City performs any transfer, registration, authentication, payment or other function described in this Article V, the expenses shall include a pro rata amount of the salaries of the City employees involved in the performance of such functions and all other costs incurred by the City in connection therewith. Pursuant to the provisions of section 10312 of the Act, the Council has established a maximum amount of two percent (2%) of each annual installment of principal and interest due on the Bonds issued to reimburse the City for such costs. Delinquent Assessments shall be subject to foreclosure pursuant to Section 5.02 hereof.

**Section 5.02 FORECLOSURE.** The City hereby covenants with and for the benefit of the Owners of the Bonds that it will, subject to the conditions below, order, and cause to be commenced within 150 days after the occurrence of a delinquency and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Assessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in Part 14, commencing with section 8830, of the Bond Law. On or before February 1st and June 1st of each fiscal year during the term of the Bonds the Finance Director shall cause the records of the County Tax Collector to be monitored to determine if there are any delinquencies in the payment of such Assessments. If the amount of the delinquencies exceeds seven percent (7%) of the installments due and the Reserve Fund balance is less than the Reserve Requirement, or if -a single

property owner in the Assessment District is delinquent in excess of \$10,000 with respect to the Assessment installments due, the Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware. If the City does not determine to advance any funds necessary to cover debt service on the Bonds, the City Attorney shall commence, or cause to be commenced, such foreclosure proceedings. The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings.

**Section 5.03 NO ADVANCES FROM AVAILABLE SURPLUS FUNDS.** The City shall not be obligated to advance Available Surplus Funds of the City to cure any deficiency which may occur in the Redemption Fund.

**Section 5.04 PUNCTUAL PAYMENT; COMPLIANCE WITH DOCUMENTS.** The City shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Resolution, and will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution.

**Section 5.05 NO PRIORITY FOR ADDITIONAL OBLIGATIONS.** The City covenants that no additional bonds or other obligations shall be issued or incurred on a parity with, or having any priority over, the Bonds in the payment of principal or interest out of the Assessments.

**Section 5.06 DISCLOSURE REQUIREMENTS.** The City and the Agent hereby covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, and not later than December 31 of each year, the City or its designee shall prepare and file the annual reports required thereunder. Notwithstanding any other provisions of this Resolution, failure of the City or the Agent to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Section 5.07 FURTHER ASSURANCES.** The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for better assuring and confirming unto the Owners of the Bonds the rights and benefits provided by this Resolution.

#### **Section 5.08 TAX COVENANTS.**

(A) The City covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Bonds under section 103 of the Tax Code. Without limiting the generality of the foregoing, the City covenants that it will comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth. This covenant shall survive payment in full or defeasance of the Bonds.

(B) In the event that at any time the City is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Agent under this Resolution, the City shall so instruct the Agent under this Resolution in writing, and the Agent shall take such action as may be necessary in accordance with such instructions.

(C) Notwithstanding any provisions of this Section, if the City shall provide to the Agent an opinion of counsel of recognized standing in the field of law relating to municipal bonds that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Agent may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be modified to that extent.

### **ARTICLE VI MISCELLANEOUS**

**Section 6.01 FUNDS AND ACCOUNTS.** Any funds or accounts required by this Resolution to be established by the Finance Director or the Agent and held and maintained by the Agent may be established and maintained in the accounting records of the Finance Director or the Agent either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or an account, but all such records with respect to all such funds or accounts shall at all times be maintained in accordance with sound accounting practices and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

**Section 6.02 PARTIAL INVALIDITY.** If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution to be performed on the part of the City, the Council or the Agent should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and

void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Resolution or of the Bonds; but the Owners shall retain all the rights and benefits accorded to them under applicable provisions of law. The Council hereby declares that it would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, and would have authorized the issuance of the Bonds pursuant hereto, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof, to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 6.03 DEFEASANCE.** The Bonds shall no longer be deemed to be outstanding and unpaid if the City shall have made adequate provision for the payment, in accordance with the Bonds and this Resolution, of the principal, interest and premiums, if any, to become due thereon at maturity or upon call and redemption prior to maturity. Such provision shall be deemed to be adequate if the Council shall, on behalf of the Assessment District, have irrevocably set aside, in a special trust fund or account, cash or non-callable Federal Securities which when added to the interest earned or to be earned thereon shall be sufficient to make such payments as they become due and to redeem any Bonds Outstanding on the earliest possible redemption date. Such provision may include, but is not limited to, the completion of proceedings and issuance of refunding bonds under the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the California Streets and Highways Code, commencing with section 9500.

**Section 6.04 VALIDITY OF BONDS.** The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person or such person's obligation with respect to the Project.

**Section 6.05 PLEDGE OF ASSESSMENTS.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and the extent herein provided) of all of the Assessments and all moneys deposited in the Redemption Fund and the Reserve Fund. The Assessments and all moneys deposited in those funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Bond Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 6.03.

**Section 6.06 REPEAL OF INCONSISTENT RESOLUTIONS.** Any resolution of the Council and any part of such resolution, inconsistent with this Resolution, is hereby repealed to the extent of such inconsistency.

**Section 6.07 AUTHORITY OF FINANCE DIRECTOR.** All actions mandated by this Resolution to be performed by the Finance Director may be performed by the designee thereof or such other official of the City or independent contractor, consultant or trustee duly authorized by the City to perform such action or actions in furtherance of all or a specific portion of the requirements hereof.

**Section 6.08 CERTIFIED COPIES.** The Clerk shall furnish a certified copy of this Resolution to the Finance Director, to the Agent and to the County Auditor.

DATED: July 17, 1996

I, JENNIFER M. PERRIN, City Clerk of the City of Lodi, do hereby certify that Resolution No. 96-~~1101~~ was passed and adopted at a regular meeting of the City Council of the City of Lodi, held July 17, 1996, by the following vote:

AYES: Councilmembers - Davenport, Mann, Pennino, Sieglock  
and Warner (Mayor)

NOES: Councilmembers - None

ABSENT: Councilmembers - None

ABSTENTIONS: Councilmembers - None

  
JENNIFER M. PERRIN, City Clerk

**CITY OF LODI  
LODI CENTRAL CITY REVITALIZATION ASSESSMENT DISTRICT NO. 95-1  
LIMITED OBLIGATION IMPROVEMENT BONDS**

**Terms and Conditions**

The following terms and conditions form a part of the foregoing Resolution as if set forth in the text thereof.

**Bond Amount:** Under Section 2.03 the actual aggregate principal amount of the Bonds is \$1,970,000.

**Bond Maturities and Interest Rates:** Under Sections 2.04 and 2.05 the maturities and rates of interest of the Bonds are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
<u>September 2</u>		

**Serial Bonds:**

[to be supplied]

1997  
1998  
1999  
2000  
2001  
2002  
2003  
2004  
2005  
2006  
2007  
2008  
2009  
2010  
2011

**Refunding Date:** Under Section 2.15 the Refunding Date is March 2, 1997.

**Deposit of Funds:** Under Section 4.01, on the Closing Date the proceeds of the sale of the Bonds will be deposited as follows:

To the Improvement Fund	\$
To the Costs of Issuance Fund	\$
To the Reserve Fund	\$
To the Escrow Fund	\$

**Reserve Requirement:** Under Section 4.05 the Reserve Fund shall be initially funded in an amount not to exceed \$137,900.00 and thereafter the Reserve Requirement shall not exceed the maximum annual Debt Service on the Bonds.

**EXHIBIT A**

United States of America  
State of California  
County of San Joaquin

REGISTERED

REGISTERED

Number

\$\*

CITY OF LODI  
LIMITED OBLIGATION IMPROVEMENT BOND  
LODI CENTRAL CITY REVITALIZATION ASSESSMENT DISTRICT NO. 95-1  
SERIES 1996-1

INTEREST RATE

MATURITY DATE

BOND DATE

CUSIP NUMBER

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

\$\_\_\_\_\_

Under and by virtue of The Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the California Streets and Highways Code (the "Act"), the City of Lodi, County of San Joaquin, State of California (the "City"), will, out of the redemption fund for the payment of the bonds issued upon the unpaid assessments for the the acquisition, work and improvements more fully described in proceedings taken pursuant to Resolution No. 95-123, adopted by the City Council of the City on September 20, 1995, pay to the registered owner named above, or registered assigns, on the maturity date stated above, the principal amount stated above, in lawful money of the United States of America and in like manner will pay interest from the interest payment date next preceding the date on which this bond is authenticated, unless this bond is authenticated as of an interest payment date, in which event it shall bear interest from such interest payment date, or unless this bond is authenticated prior to March 2, 1997, in which event it shall bear interest from its date, until payment of the principal amount shall have been discharged, at the rate per annum stated above, payable semiannually on March 2 and September 2 in each year commencing on March 2, 1997. Interest is based upon a 360-day year divided into 12 months of 30 days each. The principal hereof and any redemption premium shall be paid upon surrender to the City, at the principal Corporate Trust Office of First Trust of California National Association (the "Agent"), or its successor, as Registrar, Transfer Agent, and Paying Agent, in St. Paul, Minnesota, of matured bonds or bonds called for redemption prior to maturity. The interest hereon is payable by check or draft mailed by first class mail on the interest payment date to the registered owner hereof at the registered owner's address as it appears on the records of the Agent as of the 15th day (the "Record Date") immediately preceding each interest payment date.



Provided, however, upon the written request made before the Record Date preceding an interest payment date by an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, payment will be made, at the owner's option, by wire transfer of immediately available funds to an account in the continental United States designated by such Owner to the Agent.

This bond will continue to bear interest after maturity at the rate above stated, provided it is presented at maturity and payment thereof is refused upon the sole ground that there are not sufficient moneys in the redemption fund with which to pay the same. If it is not presented at maturity, interest thereon will run until maturity.

This bond shall not be entitled to any benefit under the Act or the Resolution Determining Unpaid Assessments and Providing For Issuance of Bonds (the "Resolution of Issuance"), or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and manually signed by the Agent.

ADDITIONAL PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE SIDE HEREOF AND SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN AT LENGTH.

IN WITNESS WHEREOF, the City of Lodi has caused this bond to be signed in facsimile by its Finance Director and by its Clerk, and has caused its corporate seal to be reproduced in facsimile hereon all as of the \_\_ day of \_\_\_\_, 1996.

CITY OF LODI

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Finance Director

(SEAL)

Certificate of Authentication and Registration

This is one of the Bonds, described in the within mentioned Resolution of Issuance, which has been authenticated and registered on

First Trust of California National Association,  
Registrar, Paying Agent and Transfer Agent

By \_\_\_\_\_  
Authorized Officer

(Reverse side of Bond)

LIMITED OBLIGATION IMPROVEMENT BOND  
CITY OF LODI  
LODI CENTRAL CITY REVITALIZATION ASSESSMENT DISTRICT NO. 95-1  
SERIES 1996-1

ADDITIONAL PROVISIONS OF THE BOND

This bond is one of several annual series of bonds of like date, tenor and effect, but differing in amounts, maturities, and interest rates, issued by the City under the Act and the Resolution of Issuance, for the purpose of providing means for paying for the improvements described in the proceedings, and is secured by the moneys in the bond redemption fund and by the unpaid assessments made for the payment of the improvements, and, including principal and interest, is payable exclusively out of such fund.

This bond is transferable by the registered owner hereof, in person or by the owner's attorney duly authorized in writing, at the office of the Agent, subject to the terms and conditions provided in the Resolution of Issuance, including the payment of certain charges, if any, upon surrender and cancellation of this bond. Upon such transfer, a new registered bond or bonds, of any authorized denomination or denominations, of the same maturity, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The Agent shall not be required to make such exchange or registration of transfer of bonds during the 15 days immediately preceding any interest payment date.

Bonds shall be registered only in the name of an individual (including joint owners), a corporation, a partnership, or a trust.

The City and the Agent may treat the owner hereof as the absolute owner for all purposes, and the City and the Agent shall not be affected by any notice to the contrary.

This bond or any portion of it in the amount of five thousand dollars (\$5,000), or any integral multiple thereof, may be redeemed and paid in advance of maturity upon the second day of March or September in any year by giving at least 30 days notice by registered or certified mail or by personal service to the registered owner hereof at the owner's address as it appears on the registration books of the Agent by paying principal and accrued interest, together with a premium of two percent (2%) of the principal.

This bond is a Limited Obligation Improvement Bond. Under the Resolution of Issuance, the City is not obligated to advance funds from the City treasury to cover any deficiency which may occur in the redemption fund for the Bonds.

### LEGAL OPINION

I hereby certify that the following is a correct copy of the signed legal opinion of Timothy J. Hachman, Attorney at Law, Stockton, California, addressed to the City of Stockton and on file in my office, dated the date of the Bonds.

\_\_\_\_\_  
City Clerk

(Insert opinion letter)

### ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though written in full, according to applicable laws or regulations:

**TEN COM** - as tenants in common

**UNIF GIFT MIN ACT** - Custodian (Cust)  
\_\_\_\_ (Minor) under Uniform Gifts to  
Minors Act \_\_\_\_\_ (State)

**TEN ENT** - as tenants by the  
entireties

**JT TEN** - as joint tenants with  
right of survivorship and not  
as tenants in common

ADDITIONAL ABBREVIATIONS MAY BE USED THOUGH NOT INCLUDED IN THE  
ABOVE LIST

### ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_,  
attorney, to transfer the same on the registration books of the Agent, with full power of  
substitution in the premises.

Dated:

\_\_\_\_\_  
NOTICE: The signature on this Assignment must  
correspond with the name(s) as written on the face  
of the within Bond in every particular without  
alteration or enlargement or any change  
whatsoever.

## NOTICE OF ADVANCED MATURITY AND FULL REDEMPTION

**\$125,000, SERIES 1984-1  
CITY OF LODI IMPROVEMENT BONDS  
Lodi United Downtown Assessment District, Beautification Project**

NOTICE IS HEREBY GIVEN to the holders or owners of the Bonds described herein that the City of Lodi, California has advanced the maturity to and will redeem all outstanding Bonds on **January 2, 1997** (the "Redemption Date"), at the principal amount thereof and a premium of five percent (5%) of such principal amount (the "Redemption Price"), together with interest accrued to the Redemption Date.

<u>Maturity Dates</u>	<u>Principal Amount</u>	<u>CUSIP Numbers</u>
July 2, 1997	\$40,000.00	267994XU0
July 2, 1998	\$40,000.00	267994XV8
July 2, 1999	\$45,000.00	267994XW6

**FROM AND AFTER JANUARY 2, 1997, INTEREST SHALL CEASE TO ACCRUE ON THE BONDS. INTEREST WILL BE PAID IN THE USUAL MANNER FOR THE PERIOD FROM JULY 2, 1996 TO JANUARY 2, 1997.**

Payment of the Redemption Price on the above Bonds will become due and payable on the Redemption Date upon presentation and surrender thereof at the office of the Paying Agent in the following manner:

**If by Mail:**  
First Trust National Association  
First Trust Center  
P. O. Box 64111  
St. Paul, MN 55164-0111

**If by Hand or Overnight Mail:**  
First Trust National Association  
180 East Fifth Street  
4th Floor - Bond Drop Window  
St. Paul, MN 55101

Telephone (612) 973-6700 or (800) 934-6802

Bondholders presenting their Bonds in person for same day payment must surrender their Bond(s) by 1:00 P.M. on the Redemption Date and a check will be available for pick up after 2:00 P.M. Checks not picked up by 4:30 P.M. will be mailed to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the bond to collect the Redemption Price.

### IMPORTANT NOTICE

Failure to submit a completed Form W-9 to certify tax identification number will result in a 31% backup withholding to the holder, under the Interest and Dividend Tax Compliance Act of 1983 as amended by the Energy Policy Act of 1992.

The Paying Agent shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice. It is included solely for convenience of the holders.

Dated: \_\_\_\_\_, 1996

CITY OF LODI, County of San Joaquin, State of California  
By First Trust of California National Association, as successor to  
Bank of America National Trust and Savings Association, as Paying Agent

RESOLUTION NO. 96-103

BEFORE THE CITY COUNCIL OF THE CITY OF LODI, CALIFORNIA

A RESOLUTION AWARDED SALE OF BONDS, APPROVING  
BOND PURCHASE AGREEMENT AND AUTHORIZING ITS EXECUTION,  
APPROVING PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING  
ITS EXECUTION AND DISTRIBUTION, AND APPROVING CONTINUING  
DISCLOSURE CERTIFICATE AND AUTHORIZING ITS EXECUTION

LODI CENTRAL CITY REVITALIZATION ASSESSMENT DISTRICT NO. 95-1

RESOLVED, by the City Council of the City of Lodi, California, that

WHEREAS, this Council has received from SEIDLER-FITZGERALD, Los Angeles, California, as Underwriter, a proposal to purchase bonds to be issued to represent unpaid assessments levied in the proceedings under Resolution No. 95-119 (the "Resolution"), adopted on September 20, 1995, for the acquisition and/or construction of public improvements, as more particularly described in the Resolution, and the public interest, convenience and necessity will be served by the acceptance of the proposal;

WHEREAS, the Underwriter has presented for Council approval the Preliminary Official Statement regarding the bonds to be issued herein;

WHEREAS, the Preliminary Official Statement presented includes as an Appendix thereto, a Continuing Disclosure Certificate with regard to the bonds;

NOW, THEREFORE, IT IS ORDERED as follows:

1. Upon consummation of the proceedings the bonds be, and they are hereby ordered sold to SEIDLER-FITZGERALD, Los Angeles, California, subject to all the terms and conditions set forth in the agreement in the form attached hereto and marked Exhibit A, and that the interest rate of the bonds be, and the same is hereby fixed at the market rate effective on the date of the execution of the agreement as mutually determined by the purchaser and the City Manager.

2. The bond purchase agreement is approved, and the City Manager is authorized to execute the agreement and the City Clerk is authorized to attest his signature.

3. The Preliminary Official Statement has been examined and determined to be accurate in the information therein contained.

4. The City Council hereby approves the Preliminary Official Statement and distribution thereof is hereby authorized.

5. The Preliminary Official Statement is final except for certain information which will not be known until the time of sale and is therefore "deemed final" within the meaning

of Rule 15c2-12 under the Securities Exchange Act of 1934 of the federal Securities and Exchange Commission.

6. The City Manager is authorized to sign on behalf of the City the Preliminary Official Statement and the final Official Statement to be derived therefrom.

7. The Continuing Disclosure Certificate attached to the Preliminary Official Statement is approved, and the City Manager is authorized to execute the agreement and the City Clerk is authorized to attest his signature.

8. The Finance Director is directed to have the bonds printed, and that the same be signed, sealed and delivered to the purchaser upon receipt of the amount therefor, in accordance with the terms and conditions contained in the agreement and the proceedings held pursuant to the Resolution and any amendments thereto.

DATED: July 17, 1996

I, JENNIFER M. PERRIN, City Clerk of the City of Lodi, do hereby certify that Resolution No. 96-103 was passed and adopted at a regular meeting of the City Council of the City of Lodi, held July 17, 1996, by the following vote:

AYES: Councilmembers - Davenport, Mann, Pennino, Sieglock  
and Warner (Mayor)

NOES: Councilmembers - None

ABSENT: Councilmembers - None

ABSTENTIONS: Councilmembers - None

  
JENNIFER M. PERRIN, City Clerk

## EXHIBIT A

<u>Due September 2</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>
1997			
1998			
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			

\$ \_\_\_\_\_  
**CITY OF LODI**  
**Limited Obligation Improvement Bonds**  
**Lodi Central City Revitalization Assessment District No. 95-1**  
**Series 1996-1**

**CONTRACT OF PURCHASE**

\_\_\_\_\_, 1996

City of Lodi  
221 West Pine Street  
Lodi, California 95240

Ladies and Gentlemen:

The undersigned (the "Underwriter"), hereby offers to enter into this Contract of Purchase with you, the City of Lodi, California (the "City"), for the purchase by the Underwriter and sale by you of your City of Lodi, Limited Obligation Improvement Bonds, Lodi Central City Revitalization Assessment District No. 95-1, Series 1996-1 specified below. This offer is made subject to acceptance by the City prior to 11:59 o'clock P.M., Pacific time, on the date hereof, and upon such acceptance this Contract of Purchase shall be in full force and effect in accordance with its terms and shall be binding upon both the City and the Underwriter.

1. Upon the terms and conditions and upon the basis of the representations set forth herein the Underwriter hereby agrees to purchase from the City and the City hereby agrees to sell to the Underwriter all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of City of Lodi, Limited Obligation Improvement Bonds, Lodi Central City Revitalization Assessment District No. 95-1, Series 1996 (the "Bonds"), to be dated the date of the delivery thereof (the Bonds being more fully described in the Official Statement dated the date hereof relating to the Bonds, the "Official Statement"), at an aggregate purchase price of \$\_\_\_\_\_, consisting of the par amount of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_. The Bonds are being issued pursuant to the provisions of The Bond Improvement Act of 1915 (the "Bond Act"). The Bonds shall be as described in, and shall be issued and secured under and pursuant to a Resolution Determining Unpaid Assessments and Providing for the Issuance of Bonds adopted by the City Council of the City on \_\_\_\_\_, 1996 (the "Resolution of Issuance"). Pursuant to the Resolution of Issuance, First Trust of California, National Association, will act as paying agent, registrar and transfer agent for the Bonds ("Paying Agent"). The Bonds shall mature on September 2 in the years and in the amounts, and shall bear interest, as set forth in Exhibit A attached hereto. The Bonds shall be issued in the denominations of \$5,000 or integral multiples thereof. The Underwriter agrees to make a public offering of the Bonds at the initial offering prices as set forth in the Official Statement, which prices may be changed from time to time by the Underwriter. You, the City, authorize the use of copies of the Resolution of Issuance in connection with the public offering and sale of the Bonds.



(8) executed copy of the Continuing Disclosure Certificate;

(9) at or prior to the Closing, the Underwriter shall deliver its certificate to the City, dated the date of Closing, to the effect that:

(i) To the best of the Underwriter's knowledge, City has responded fully and to the best of Underwriter's knowledge, accurately, to all requests for information requested by Underwriter for inclusion in the Official Statement;

(ii) Underwriter has had access to and has made a complete investigation of the facts and circumstances relating to the project and proceedings of the City consistent with its diligence obligations under the Federal securities laws, and to the Bonds to be issued with respect thereto, including without limitation, the following:

- (1) The purpose of the project and the Bonds;
- (2) The application of the proceeds of the Bonds to the project;
- (3) The types of the properties subject to the assessment in the proceedings;
- (4) The nature of the typical bondholders' risks in investing in the Bonds;
- (5) The bondholders' rights and remedies in the event of default in payment of the principal of and interest on the Bonds;

(10) At or prior to the Closing, the Underwriter shall deliver a certificate in form and substance satisfactory to Bond Counsel, substantially in the form of Exhibit B hereto.

(11) such additional legal opinions, certificates, proceedings, instruments and other documents as we may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the City herein and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

5. If the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Contract of Purchase or if the Underwriter's obligations shall be terminated for any reason permitted herein, this Contract of Purchase shall terminate and neither the Underwriter nor the City shall have any further obligation hereunder.

6. The Underwriter shall be under no obligation to pay and the City shall pay or cause to be paid the expenses incident to the performance of the obligations of the City hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the resolutions and other legal proceedings and the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the City; (c) the fees and disbursements of Bond Counsel and Disclosure Counsel; (d) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter; and (e) charges of rating agencies for the rating of the Bonds.

DECLARATION OF MAILING  
NOTICE TO PAY ASSESSMENTS

**LODI CENTRAL CITY REVITALIZATION ASSESSMENT DISTRICT NO. 95-1**

I, the undersigned, declare and say:

I am a citizen of the United States and over the age of eighteen (18) years, my business address is 1113 West Fremont Street, Stockton, California;

For and on behalf of the Finance Director of the City of Lodi, California, and on May 24, 1996, I mailed to each person owning real property in the assessment district at the last known address as it appears on the tax rolls of said City or on file in the office of the City Clerk, or to both addresses if they were not the same, or to general delivery when no address appeared, a statement containing a designation by street number or other description of property assessed sufficient to enable the owner to identify the same, the amount of the assessment, the date of recordation of the assessment, the time and place of payment thereof, the effect of failure to pay within such time, and a statement that bonds will be issued upon unpaid assessments pursuant to the provisions of The Improvement Bond Act of 1915 (Division 10 of the Streets and Highways Code), in form a copy of which notice is hereto attached and marked Exhibit A, and by reference made a part hereof.

I further mailed on June 7, 1996 an amended notice extending the final date for payment and amending the discount applicable for cash payments, in form a copy of which notice is hereto attached and marked Exhibit B, and by reference made a part hereof.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 17, 1994, at Stockton, California.

  
MICHAEL CONRAD

VICKY McATHIE  
Finance Director, City of Lodi  
P. O. Box 3006  
Lodi, CA 95241-1910

NOTICE OF RECORD. ASSESSMENT AND  
TIME FOR RECEIPT OF CASH PAYMENTS  
Lodi Central City Revitalization  
Assessment District No. 95-1

NOTICE IS HEREBY GIVEN that all owners of real property assessed to pay the costs and expenses of the acquisition and/or construction of improvements described in the Engineer's Report and Resolution No. 95-123, a Resolution of Intention to Acquire and/or Construct Improvements and to Refund Prior Bonds Issued, adopted by the City Council of the City of Lodi on September 20, 1995, are hereby notified that on May 20, 1996, the assessment and diagram were recorded in the office of the Director of Public Works of the City of Lodi.

The amount of the assessment on your property and its description is shown above. IF YOU WISH TO PAY ALL (OR A PORTION) OF YOUR ASSESSMENT IN CASH, PAYMENT MUST BE MADE TO THE CITY OF LODI AND DIRECTED TO:

FINANCE DIRECTOR  
CITY HALL ANNEX, 212 WEST PINE STREET  
(If by mail, P. O. Box 3006)  
LODI, CALIFORNIA 95241-1910

SUCH PAYMENT MUST BE RECEIVED ON OR BEFORE JUNE 19, 1996, AND BE ACCOMPANIED BY THE IDENTIFICATION OF YOUR PROPERTY AS SHOWN ABOVE (you may clip the top of this notice or copy the information to send with your payment for this purpose). If you have any questions regarding your payment, please telephone Vicky McAthie (209) 333-6761.

IF YOU DO NOT WISH TO PAY YOUR ASSESSMENT IN CASH, YOU NEED DO NOTHING AT THIS TIME. All assessments remaining unpaid on the above date will be financed by the issuance by the City of Lodi of serial or term bonds pursuant to the Improvement Bond Act of 1915 (Division 10 of the Streets and Highways Code) and billed in annual installments, including bond interest and administration costs, on your real property tax bill. The bonds will bear interest at the best rate obtainable on the date of their sale, not to exceed twelve percent (12%) per annum (the maximum allowed by law). The term of the bonds (fixing the number of years in which the assessment installments will be included on your tax bill) will also be determined on the date of sale of the bonds, but in any event will not exceed twenty (20) years. The City Council has also determined that the applicable provisions of Part 11.1 of the Improvement Bond Act of 1915, providing an alternative procedure for the advance payment of assessments and the calling of bonds, shall apply.

If you have any questions regarding the work of improvements or the district, please telephone Richard Prima or Sharon Welch (209) 333-6706.

VICKY McATHIE, Finance Director  
City of Lodi, California

EXHIBIT A

VICKY McATHIE  
Finance Director, City of Lodi  
P.O. Box 3006  
Lodi, CA 95241-1910

**INDEXED**  
**NOTICE OF RECORDING ASSESSMENT AND  
TIME FOR RECEIPT OF CASH PAYMENTS**  
Lodi Central City Revitalization  
Assessment District No. 95-1

Assessor's Parcel No: 062-080-26  
Parcel Address: 1535 S. Cherokee Ln.

Osburn, Ben & Geraldine  
1535 S Cherokee Ln.  
Lodi, CA 95240

The assessment on your property is: \$14,604.48  
Amended cash payoff of the assessment is: \$13,144.03

NOTICE IS HEREBY GIVEN that all owners of real property assessed to pay the costs and expenses of the acquisition and/or construction of improvements described in the Engineer's Report and Resolution No. 95-123, a Resolution of Intention to Acquire and/or Construction Improvements and to Refund Prior Bonds issued, adopted by the City Council of the City of Lodi on September 20, 1995, are hereby notified that on May 20, 1996, the assessment and diagram were recorded in the office of the Director of Public Works on the City of Lodi.

The amount of the assessment on your property and its description is shown above. IF YOU WISH TO PAY ALL (OR A PORTION) OF YOUR ASSESSMENT IN CASH, PAYMENT MUST BE MADE TO THE CITY OF LODI AND DIRECTED TO:

FINANCE DIRECTOR  
CITY HALL ANNEX, 212 WEST PINE STREET  
(If by mail, P. O. BOX 3006)  
LODI, CALIFORNIA 95241-1910

SUCH PAYMENT MUST BE RECEIVED ON OR BEFORE JULY 1, 1996, AND BE ACCOMPANIED BY THE IDENTIFICATION OF YOUR PROPERTY AS SHOWN ABOVE (you may clip the top of this notice or copy the information to send with your payment for this purpose.) If you have any questions regarding your payment, please telephone Vicky McAthie (209) 333-6761.

IF YOU DO NOT WISH TO PAY YOUR ASSESSMENT IN CASH, YOU NEED DO NOTHING AT THIS TIME. All assessments remaining unpaid on the above date will be financed by the issuance by the City of Lodi of serial or term bonds pursuant to the Improvement Bond Act of 1915 (Division 10 of the Streets and Highways Code) and billed in annual installments, including bond interest and administration costs, on your real property tax bill. The bonds will bear interest at the best rate obtainable on the date of their sale, not to exceed twelve percent (12%) per annum (the maximum allowed by law). The bonds (fixing the number of years in which the assessment installments will be included on your tax bill) will also be determined on the date of sale of the bonds, but in any event will not exceed twenty (20) years. The City Council has also determined that the applicable provisions of Part 11.1 of the Improvement Bond Act of 1915, providing an alternative procedure for the advance payment of assessments and the calling of bonds, shall apply.

If you have any questions regarding the work of improvements or the district, please telephone Richard Prima or Sharon Welch (209) 333-6706.

VICKY McATHIE, Finance Director  
City of Lodi, California

EXHIBIT B

\*

**CITY OF LODI**  
**Limited Obligation Improvement Bonds**  
**Lodi Central City Revitalization Assessment District No. 95-1**  
**[Series 1996]**

**CONTRACT OF PURCHASE**

\_\_\_\_\_, 1996

City of Lodi

Lodi, California \_\_\_\_\_

Ladies and Gentlemen:

The undersigned (the "Underwriter"), hereby offers to enter into this Contract of Purchase with you, the City of Lodi, California (the "City"), for the purchase by the Underwriter and sale by you of your City of Lodi, Limited Obligation Improvement Bonds, Lodi Central City Revitalization Assessment District No. 95-1, [Series 1996,] specified below. This offer is made subject to acceptance by the City prior to 11:59 o'clock P.M., Pacific time, on the date hereof, and upon such acceptance this Contract of Purchase shall be in full force and effect in accordance with its terms and shall be binding upon both the City and the Underwriter.

1. Upon the terms and conditions and upon the basis of the representations set forth herein the Underwriter hereby agrees to purchase from the City and the City hereby agrees to sell to the Underwriter all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of City of Lodi, Limited Obligation Improvement Bonds, Lodi Central City Revitalization Assessment District No. 95-1, Series 1996 (the "Bonds"), to be dated the date of the delivery thereof (the Bonds being more fully described in the Official Statement dated the date hereof relating to the Bonds, the "Official Statement"), at an aggregate purchase price of \$\_\_\_\_\_, consisting of the par amount of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_. The Bonds are being issued pursuant to the provisions of The Bond Improvement Act of 1915 (the "Bond Act"). The Bonds shall be as described in, and shall be issued and secured under and pursuant to a Resolution Determining Unpaid Assessments and Providing for the Issuance of Bonds adopted by the City Council of the City on \_\_\_\_\_, 1996 (the "Resolution of Issuance"). Pursuant to the Resolution of Issuance, First Trust of California, National Association, will act as paying agent, registrar and transfer agent for the Bonds ("Paying Agent"). The Bonds shall mature on September 2 in the years and in the amounts, and shall bear interest, as set forth in Exhibit A attached hereto. The Bonds shall be issued in book-entry form in the denominations of \$5,000 or integral multiples thereof. The Underwriter agrees to make a public offering of the Bonds at the initial offering prices as set forth in the Official Statement, which prices may be changed from time to time by the Underwriter.

\* Preliminary, subject to change.

You, the City, authorize the use of copies of the Resolution of Issuance in connection with the public offering and sale of the Bonds.

To assist the Underwriter in complying with SEC Rule 15c2-12 (b)(5), the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of these undertakings are set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Within seven (7) business days from the date hereof, the City shall deliver to the Underwriter a final Official Statement, executed on behalf of the City by an authorized representative of the City and dated the date hereof, which shall include information permitted to be omitted by paragraph (b)(1) of SEC Rule 15(c)2-12 and with such other amendments or supplements as shall have been approved by the City and the Underwriter.

2. The City represents to and agrees with the Underwriter that:

(a) the City is and will be at the date of Closing duly authorized and existing under the Constitution and laws of the State of California with the powers and authority, among others, (i) to issue the Bonds pursuant to the Constitution of the State of California and the Bond Act, (ii) to execute and deliver this Contract of Purchase, and (iii) to carry out and consummate the transactions contemplated by the Resolution of Issuance and this Contract of Purchase;

(b) when delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Contract of Purchase, the Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding limited obligations of the City of the character permitted to be issued by the Bond Act, in conformity with, and entitled to the benefit and security of the Resolution of Issuance;

(c) by official action of the City prior to or concurrently with the acceptance hereof, the City duly adopted the Resolution of Intention and authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the Bonds and this Contract of Purchase;

(d) the execution and delivery of the Bonds and this Contract of Purchase, and compliance with the provisions on the City's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Resolution of Issuance;

(e) to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City affecting the existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of revenues pledged or to be pledged to pay the principal of, and premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution of Issuance, or this Contract of Purchase, or contesting the powers

of the City or its authority to issue, enter into, adopt or perform its obligations under any of the foregoing;

(f) all approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which would constitute conditions precedent to or would materially adversely affect the performance by the City of its obligations hereunder or under the Resolution of Issuance, have been duly obtained and no further consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the City that has not been obtained is or will be required for the issue and sale of the Bonds or the consummation by the City of the other transactions contemplated by this Contract of Purchase, except as such may be required under the state securities or Blue Sky laws in connection with the distribution of the Bonds by the Underwriter;

(g) the City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (1) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the City be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(h) this Contract of Purchase has been duly authorized, executed and delivered by the City and constitutes the valid, binding and enforceable limited obligation of the City in accordance with its terms except as the same may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally; and

(i) the Resolution of Issuance has been duly adopted by the City Council of the City and constitutes the valid, binding and enforceable limited obligation of the City in accordance with its terms except as the same may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally.

The execution and delivery of this Contract of Purchase by the City shall constitute a representation by the City to the Underwriter that the representations and warranties contained in this Paragraph 2 are true as of the date hereof; provided that no member of the governing body of the City shall be individually liable for the breach of any representation or warranty made by the City in this Paragraph 2.

3. At 8:00 o'clock A.M., Pacific time, on \_\_\_\_\_, 1996, or at such other time, or on such earlier or later date as we mutually agree upon (the "Closing"), the City will deliver or cause to be delivered to us, at the offices of Timothy J. Hachman ("Bond Counsel"), or at such other place as we may mutually agree upon, the Bonds in definitive form, duly executed by the City and authenticated by the Paying Agent; together with the other documents mentioned herein. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Contract of Purchase. All expenses in relation to the printing of CUSIP numbers on said Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid for by the City and the Underwriter will accept such delivery and pay the purchase price thereof as set forth in Paragraph 1 hereof by federal wire transfer in immediately available funds to the order of the City, or, upon the order of the City, to the Paying Agent, in an amount equal to the

purchase price. The Bonds will be made available for checking and packaging at an office which we may mutually agree upon one business day prior to the Closing.

4. The Underwriter hereby enters into this Contract of Purchase in reliance upon the representations and warranties of the City contained herein and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both on and as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) the representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and as of the Closing, as if made on and at the Closing;

(b) at the Closing, the Resolution of Issuance and this Contract of Purchase shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby;

(c) The Underwriter shall have the right to cancel their obligation to purchase the Bonds if between the date hereof and the Closing, (i) legislation shall have been enacted by the Congress of the United States or the legislature of the State of California or shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, with respect to Federal or California taxation upon revenues or other income of the general character to be derived by the City or upon interest received on obligations of the general character of the Bonds, which in the reasonable judgment of the Underwriter, materially adversely affects the market for the Bonds, or (ii) there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market or enforce contracts for the sale of the Bonds, or (iii) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (iv) a general banking moratorium shall have been declared by either Federal or California authorities having jurisdiction and be in force, or (v) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of, Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or State agency or the Congress of the United States, or by Executive Order, or (vi) a decision of any Federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency shall have been made or issued to the effect that (A) the Bonds or any securities of



the City or of any similar body of the type contemplated herein are subject to the registration requirements of the Securities Act of 1933 or (B) the qualification of an indenture or resolution in respect of the Bonds or any such securities is required under the Trust Indenture Act of 1939, as amended;

(d) at or prior to the Closing, we shall receive the following documents, in each case satisfactory in form and substance to us:

(1) the unqualified approving opinion, dated the date of Closing, of Bond Counsel, addressed to the City, in form and substance satisfactory to the Underwriter, accompanied by a reliance letter to the Underwriter;

(2) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that the statements contained in the Official Statement on the cover and under the captions ["INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "LEGAL MATTERS - Legal Opinion," and "TAX-EXEMPTION,"] insofar as such statements purport to summarize certain provisions of the Resolution of Issuance, the Bonds and Bond Counsel's opinion concerning certain federal and state tax matters relating to the Bonds, are accurate in all material respects;

(3) a certificate or certificates, dated the date of Closing, signed by an authorized official of the City, in form and substance satisfactory to the Underwriter, to the effect that to the best of his or her knowledge, no litigation is pending or threatened (a) to restrain or enjoin the issuance or delivery of the Bonds or the collection of unpaid assessments that are the source of payment therefor, (b) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of the Bonds, the Resolution of Issuance, or this Contract of Purchase, or (c) in any way contesting the existence or powers of the City;

(4) two executed copies of the Resolution of Issuance and any and all other documentation contemplated thereby;

(5) two certified copies of the resolutions of the City approving and authorizing the execution of this Contract of Purchase and the sale of the Bonds and any and all other documentation contemplated thereby; and

(6) a letter of Jones Hall Hill & White, A Professional Law Corporation, San Francisco California, as disclosure counsel to the City, addressed to the Underwriter and the City, dated the date of the Closing, to the effect that based upon the information made available to them in the course of their participation in the preparation of the Official Statement, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention which would lead them to believe that the Official Statement (other than any financial or statistical data or forecasts or projections included therein, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) executed copy of the Continuing Disclosure Certificate; and

(8) such additional legal opinions, certificates, proceedings, instruments and other documents as we may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the City herein and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

5. If the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Contract of Purchase or if the Underwriter's obligations shall be terminated for any reason permitted herein, this Contract of Purchase shall terminate and neither the Underwriter nor the City shall have any further obligation hereunder.

6. The Underwriter shall be under no obligation to pay and the City shall pay or cause to be paid the expenses incident to the performance of the obligations of the City hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the resolutions and other legal proceedings and the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the City; (c) the fees and disbursements of Bond Counsel and Disclosure Counsel; (d) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter; and (e) charges of rating agencies for the rating of the Bonds.

The Underwriter shall pay and the City shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds.

7. Any notice or other communication to be given to the City under this Contract of Purchase may be given by delivering the same in writing at your address set forth above and any such notice or other communications to be given to the Underwriter may be given by delivering the same in writing to Seidler-Fitzgerald Public Finance, 515 South Figueroa Street, Suite 1100, Los Angeles, California 90071 Attention: John C. Fitzgerald. The approval of the Underwriter when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

8. This Contract of Purchase is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter) and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All representations and agreements of the City in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds. This Contract of Purchase shall be governed by the laws of the State of California. This Contract of Purchase may be signed in multiple counterparts.

SEIDLER-FITZGERALD PUBLIC  
FINANCE

By: \_\_\_\_\_  
Title:

Accepted and Agreed to:

CITY OF LODI

By: \_\_\_\_\_  
Title:

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 1996**

NEW ISSUE

NOT RATED

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX-EXEMPTION" herein.*

\$ \_\_\_\_\_\*

**Limited Obligation Improvement Bonds****City of Lodi****Lodi Central City Revitalization Assessment District No. 95-1, Series \_\_\_\_\_****Dated: Date of Delivery****Due: September 2 as shown below**

The Limited Obligation Improvement Bonds hereby offered (the "Bonds") are being issued to (i) finance the acquisition of certain improvements within the Lodi Central City Revitalization Assessment District No. 95-1 (the "District") of the City of Lodi, California (the "City") (ii) to redeem the 1984 Lodi Central Downtown Assessment District Beautification Bonds currently outstanding in the amount of \$125,000, (iii) fund a reserve fund for the Bonds and (iv) pay certain costs of issuance associated with the Bonds.

The acquisition and construction of the improvements described herein will be completed pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "1913 Act"). The Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "Bond Law") and are secured by unpaid assessments levied in proceedings conducted by the City pursuant to the 1913 Act.

Interest due with respect to the Bonds is payable semiannually on March 2 and September 2 of each year, commencing March 7, 1997, by a check of First Trust of California, National Association, as transfer agent, registrar, and paying agent (the "Agent"). Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof [at the principal office of the Agent in San Francisco, California.] Upon written request of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, interest shall be paid on the Interest Payment Date by wire transfer in immediately available funds to an account in the continental United States of America designated by such Owner to the Agent on or before the applicable Record Date preceding such Interest Payment Date. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

The Bonds are subject to redemption as described herein. The Bonds may be refunded pursuant to the Refunding Act of 1984 for 1915 Act Improvement Bonds.

Under the provisions of the Bond Law, installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills to owners of property against which there are unpaid assessments. These annual installments are to be paid into the Redemption Fund, to be held by the City and used to pay debt service on the Bonds as it becomes due.

See the section of the Official Statement entitled "BONDOWNERS' RISKS" for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent installments, the City will establish a Reserve Fund to be held by the City and will deposit therein Bond proceeds in the original amount equal to the lesser of [10% of the principal amount of the Bonds, 125% of average Debt Service or maximum annual Debt Service.] The City's liability to advance funds to the Redemption Fund in the event of delinquent assessment installments shall not exceed the balance in the Reserve Fund. Additionally, the City has covenanted to initiate judicial foreclosure in the event of a delinquency, under the circumstances described herein.

The District consists of \_\_\_\_\_ parcels, generally consisting of two downtown areas of the City. Proceeds of the Bonds will generally be applied to a revitalization of the downtown areas, including street and pedestrian improvements. All of the parcels in the District are developed.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF LODI, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

The Bonds will mature and will bear interest at the rates set forth in the following schedule:

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\* Preliminary, subject to change.

MATURITY SCHEDULE*							
		\$ _____		Serial Bonds			
Due <u>September 2</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>	Due <u>September 2</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>

The Bonds are offered when, as and if issued and delivered to the Underwriter subject to the approval of Timothy J. Hachman, Esq., Stockton, California, Bond Counsel. It is expected that the Bonds in definitive form shall be available for delivery in \_\_\_\_\_, \_\_\_\_\_ on or about \_\_\_\_\_, 1996.

### SEIDLER-FITZGERALD PUBLIC FINANCE

Dated \_\_\_\_\_, 1996

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\* Preliminary, subject to change.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder may be inferred or relied upon, under any circumstances, to create any implication that there has been no change in the affairs of the City, the District or the property owners within the District, or in the condition of the improvements to be acquired or the property within the District, since the date hereof. All summaries of legal or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

**Limited Obligation Improvement Bonds  
City of Lodi  
Lodi Central City Revitalization Assessment District No. 95-1**

**MAYOR AND CITY COUNCIL**

Stephen J. Mann, *Mayor*  
David P. Warner, *Major Pro Tempore*  
Ray G. Davenport, *Councilmember*  
Phillip A. Pennino, *Councilmember*  
Jack A. Sieglock, *Councilmember*

**CITY STAFF**

H. Dixon Flynn, *City Manager*  
Vicky McAthie, *Director of Finance*  
Randall Hays, Esq., *City Attorney*  
Jennifer M. Perrin, *City Clerk*

**BOND COUNSEL**

Timothy J. Hachman, Esq.  
Stockton, California

**ASSESSMENT ENGINEER**

Kjeldsen, Sinnock & Neudeck, Inc.  
Stockton, California

**TRANSFER AGENT, REGISTRAR, AND PAYING AGENT**

First Trust of California, National Association  
San Francisco, California

**UNDERWRITER**

Seidler Fitzgerald Public Finance  
Los Angeles, California

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**LIMITED OBLIGATION IMPROVEMENT BONDS  
CITY OF LODI  
Lodi Central City Revitalization Assessment District No. 95-1**

**Introduction**

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), is to provide certain information relating to the sale and issuance of \$\_\_\_\_\_ \* principal amount of Limited Obligation Improvement Bonds (the "Bonds") for Lodi Central City Revitalization Assessment District No. 95-1 (the "District") by the City of Lodi, California (the "City").

*This Introduction is not a summary of this Official Statement. It is only a description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

**The District**

The District was formed pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "1913 Act").

The District consists of [347] parcels in two downtown areas of the City. Proceeds of the Bonds are generally to be used for a downtown revitalization consisting of street and pedestrian improvements. All of the parcels are developed, and no single property owner is responsible for more than 5.1% of the total assessment securing the Bonds. Because the District consists of two downtown areas, the parcels are predominantly commercial and retail, and residential owners have been given the option to opt out of the District while the parcel remains in residential use.

The overall value-to-lien ratio (based on assessed value and the principal amount of the Bonds) is 50\* to 1. Of the total cost of the revitalization project of \$6,240,618, \$2,783,008 is being raised through the issuance of Bonds and \$3,457,610 is coming from available City capital.

**Purpose of the Bonds**

The proceeds from the sale of the Bonds will be used (i) to finance the acquisition and construction of certain public improvements, (ii) to refund the 1984 Lodi Central Downtown Assessment District Beautification Bonds currently outstanding in the amount of \$125,000, (iii) to pay certain costs of issuance of the Bonds and (iv) to fund a reserve fund for the Bonds. See "THE BONDS - Purpose of Issue."

**Authority for the Bonds**

The Bonds are issued pursuant to the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "Bond Law") and a Resolution Determining Unpaid Assessments and Providing for Issuance of Bonds, adopted by the City Council of the City on \_\_\_\_, 1996 (the "Resolution of Issuance"). See "THE BONDS - Authority for Issuance" herein.

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\* Preliminary, subject to change.

## **Description of the Bonds**

*Payments.* Interest is payable beginning on March 2, 1997, and semiannually thereafter on March 2 and September 2 each year (each, and "Interest Payment Date"). Principal of and premium, if any, on the Bonds is payable at [the principal corporate trust office of First Trust of California, National Association (the "Agent") in San Francisco, California.] Interest on the Bonds is payable by check of the Agent mailed by first class mail on or before each Interest Payment Date to the Owners as they appear in the registration books of the Agent, or by wire transfer to requesting Owners of \$1,000,000 or more in principal amount of Bonds. See "THE BONDS - General Provisions."

*Denominations.* The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

*Redemption.* The Bonds are subject to redemption prior to maturity. See "THE BONDS - Redemption" herein.

*Registration, transfers and exchanges.* The Bonds will be issued in fully registered form and may be transferred or exchanged upon presentation and surrender at the principal corporate trust office of the Agent in St. Paul, Minnesota. See "THE BONDS - Registration, Transfer and Exchange."

## **Sources of Payment for the Bonds.**

The Bonds are limited obligation improvement bonds of the City. The Bonds are issued upon and are secured by the unpaid assessments against the parcels in the District (the "Assessment Parcels"). These unpaid assessments, together with interest thereon, constitute a trust fund for the redemption and payment of the principal of the Bonds and the interest thereon. The Bonds are also secured by the monies in the Redemption Fund and the Reserve Fund created under the Resolution of Issuance. **The City's obligation to advance funds to pay debt service on the Bonds if assessment installment collections are insufficient is limited to amounts on deposit in the Reserve Fund, and if so advanced, will reduce the Reserve Fund by the amount of the funds advanced.** See "SECURITY FOR THE BONDS" herein.

## **Tax Exemption**

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Timothy J. Hachman, Esq., Stockton, California, Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel interest on the Bonds will be exempt from State of California personal income taxes. See "LEGAL MATTERS - Tax Exemption."

## **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery in \_\_\_\_\_ on or about \_\_\_\_\_, 1996.

## **Bondowner's Risks**

The Bonds are limited obligation improvement bonds payable from installment payments of principal and interest on the unpaid assessments on the Assessment Parcels collected at the same

time and in the same manner as property taxes. **The City has no obligation to advance funds to pay debt service on the Bonds if assessment installment collections are insufficient, except from any money in the Reserve Fund.**

The City has established a Reserve Fund for the Bonds. See "SECURITY FOR THE BONDS - Reserve Fund." The Reserve Fund, if depleted, may be replenished from the payment of delinquent installments of principal and interest and from the proceeds of judicial foreclosure and sale proceedings. However, if delinquent payments or foreclosure sale proceeds are not forthcoming, no replenishment can occur. The Reserve Fund will not be fully funded at the Reserve Requirement on the date of issuance of the Bonds. See "SECURITY FOR THE BONDS - Reserve Fund."

The City is obligated to bring judicial foreclosure and sale proceedings ("court foreclosure") against Assessment Parcels delinquent in payment of the installments of principal and interest on the assessments, under the circumstances described within. The maximum price obtained from the court foreclosure of property may not be sufficient to cover the delinquency, which may result in an ultimate loss to Bondowners. In addition, a court foreclosure may be restrained or delayed by bankruptcy proceedings of the owner of a delinquent Assessment Parcel.

The values of the Assessment Parcels may be adversely affected by a number of factors including, for example, naturally occurring conditions such as earthquakes, destructive storms or drought, and imposition of legal restrictions on use or development.

**The owners of Assessment Parcels are not personally obligated to pay the assessments or the assessment installments; the assessments are obligations only of the Assessment Parcels.**

**THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, OF THE STATE OF CALIFORNIA OR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE AND NEITHER THE CITY NOR THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT THEREOF.**

As a result of these and other factors, the Bonds, as an investment, have speculative elements. See "SPECIAL RISK FACTORS" for a discussion of the risk factors that should be considered, in addition to the other matters set forth herein, in determining the quality or suitability of the Bonds as an investment.

### **Continuing Disclosure**

The City has covenanted for the benefit of Bondowners to provide certain annual financial information and operating data (the "City Annual Report"). The City Annual Report shall be delivered by not later than \_\_\_\_ months following the end of its fiscal year (which currently would be by \_\_\_\_\_ of each year), commencing with the report for the 1995-96 fiscal year. The City has also covenanted to provide notices of the occurrence of certain enumerated events, if material. The City Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information in the City Annual Report or the notices of material events is shown in "APPENDIX D - Form of Continuing Disclosure Certificate." The City has never failed to comply, in all material respects, with an undertaking to provide continuing disclosure pursuant to SEC Rule 15c2-12(b)(5).

## **Professionals Involved in the Offering**

All proceedings for the issuance of the Bonds are subject to the approval of Timothy J. Hachman, Stockton, California, Bond Counsel to the City. First Trust of California, National Association, San Francisco, California will act as the City's Paying Agent. Jones Hall Hill & White, A Professional Law Corporation, San Francisco, California will assist the City with the preparation of the Official Statement.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Finance Director of the City at 221 West Pine Street, Lodi, California 95240, (209)333-6807. The City may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein, and the description of the Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the provisions of the Bond Law and Resolution No. \_\_\_\_ (entitled "A Resolution Determining Unpaid Assessments and Providing for Issuance of Bonds") adopted by the City Council on July \_\_, 1996 (the "Resolution of Issuance"), and represent and are secured by unpaid assessments levied against property in the District in accordance with the provisions of the 1913 Act.

### Purpose of Bonds

The proceeds from the sale of the Bonds will be used to (i) finance the acquisition and construction of public improvements, as set forth in the Engineer's Report For Lodi Central City Revitalization Assessment District No. 95-1, dated April 17, 1996 prepared by Kjeldsen, Sinnock & Neudeck, Inc. (the "Engineer's Report," see "APPENDIX B - Excerpts from the Engineer's Report"), (ii) to redeem the 1984 Lodi Central Downtown Assessment District Beautification Bonds currently outstanding in the amount of \$125,000 (the "Prior Bonds"), (iii) to pay certain costs of issuance of the Bonds and (iv) to fund a reserve fund for the Bonds. See "THE IMPROVEMENT PROJECT."

### Description of the Bonds

The Bonds are issued as serial and term bonds and mature in various amounts and on the dates set forth on the cover of this Official Statement. Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof at the [principal corporate trust office of the Agent in San Francisco, California.] Interest on the Bonds is payable on March 2, 1997 and semiannually thereafter on each March 2 and September 2 by a check of the Agent mailed by first class mail to the registered owners thereof. Upon written request of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, each interest shall be paid on the Interest Payment Date by wire transfer in immediately available funds to an account in the continental United States of America designated by such Owner to the Agent on or before the applicable Record Date preceding such Interest Payment Date. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

### Debt Service Schedule

The following table presents the debt service schedule for the Bonds, assuming no redemptions are made:

<u>Year Ending</u> <u>September 2</u>	<u>Interest</u> <u>March 2</u>	<u>Interest</u> <u>September 2</u>	<u>Principal</u> <u>September 2</u>	<u>Total</u>
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### Optional Redemption of Bonds

At the option of the City, any Bond, or a portion thereof if issued in a denomination greater

than \$5,000, may be called for optional redemption prior to maturity on any March 2 or September 2, upon payment of the following redemption prices (expressed as a percentage of the principal amount of Bonds called for redemption), plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 2, __ through September 2, __	103%
March 2, __ and September 2, __	102%
March 2, __ and September 2, __	101%
March 2, __ and thereafter	100%

No interest shall accrue on a Bond beyond the March 2 or September 2 date on which such Bond is called for redemption. Notice of redemption must be given by registered or certified mail or by personal service at least 30 days prior to the redemption date. The determination as to which Bond or Bonds are to be called shall be made by the City under the Bond Law in accordance with the Resolution of Issuance. Transfers of property ownership and certain other circumstances could result in prepayment of assessments. Such prepayment would result in redemption of all or a portion of the Bonds prior to their stated maturity, which would result in the reduction of portions of the amount on deposit in the Reserve Fund allocable to the redeemed Bonds.

#### **Term of Lien and Bonds**

The Bonds and the original assessments shall remain in full force and effect and the Bonds shall be secured by the original assessments until (i) the Bonds mature, (ii) assessments are prepaid and the Bonds are redeemed, (iii) apportionment of the original assessments occurs pursuant to Parts 10.0 and 10.5 of Division 10 of the Bond Law, or (iv) the original assessments are superseded and supplemented by reassessments and refunding bonds issued pursuant to Division 11 or Division 11.5 of the Streets and Highway Code, at which time the refunding escrow shall become the security for any outstanding Bonds not exchanged for refunding bonds.

#### **Refunding of Bonds**

The Bonds may, subject to the terms of the Resolution of Issuance, be refunded pursuant to the Refunding Act of 1984 for 1915 Act Improvement Bonds, Division 11.5 of the Streets and Highways Code of the State of California.

#### **Estimated Sources and Uses of Funds**

The estimated sources and uses of the proceeds of the Bonds are set forth below:

Sources:	
Principal Amount of the Bonds	\$
Less: Underwriter's Discount	
Total Sources of Funds	
Uses:	
Deposit to Improvement Fund	\$
Deposit to Escrow Fund	
Deposit to Costs of Issuance Fund	
Deposit to Redemption Fund	
Total Uses of Funds	

## **Establishment of Special Funds**

For administering the proceeds of the sale of Bonds and payment of interest and principal on the Bonds, the City will establish and maintain five funds under the Resolution of Issuance to be known as the Improvement Fund, the Costs of Issuance Fund, the Redemption Fund, the Reserve Fund and the Escrow Fund.

*Improvement Fund.* The moneys in the Improvement Fund shall be disbursed for the purpose of paying or reimbursing the costs of acquiring and constructing the Project, including but not limited to all costs incidental to or connected with such acquisition and construction. Disbursements from the Improvement Fund shall be subject to the provisions of the Resolution of Issuance. Any surplus remaining after payment of all such costs and expenses shall be used as set forth in the proceedings pursuant to the Resolution of Intention and applicable provisions of the Act and the Improvement Fund shall be closed.

*Cost of Issuance Fund.* The moneys in the Costs of Issuance Fund shall be used solely for the purpose of the payment of Costs of Issuance on or after the Closing Date. Any funds remaining in the Costs of Issuance Fund on the date that is six months after the Closing Date shall be transferred to the Improvement Fund and the Costs of Issuance Fund shall be closed.

*Redemption Fund.* All payments of principal and interest installments on the assessments, together with penalties, if any, will be deposited in the Redemption Fund, which will be a trust fund for the benefit of the Bondowners. Payment of the Bonds at scheduled mandatory or optional redemption prior to maturity and at maturity, and all interest on the Bonds will be made from the Redemption Fund. On or before each Interest Payment Date, there shall be withdrawn from the Redemption Fund and delivered to the Agent for payment to the Bondowners the principal of (including Sinking Fund Payments), and interest and any premium, then due and payable on the Bonds. Five (5) business days prior to each Interest Payment Date, the City shall determine if the amounts then on deposit in the Redemption Fund are sufficient to pay the Debt Service due on the Bonds on such Interest Payment Date. In the event the amounts in the Redemption Fund are insufficient for such purpose, the City shall cause to be withdrawn from the Reserve Fund to the extent of any funds therein the amount of such insufficiency, and transferred to the Redemption Fund. Amounts so withdrawn from the Reserve Fund and deposited to the Redemption Fund shall be applied to the payment of the Bonds. If, after the foregoing transfers, there are insufficient funds in the Redemption Fund to make the payments to the Bondowners, the available funds shall be applied first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds (including Sinking Fund Payments), and then to payment of principal due on the Bonds by reason of Bonds called for redemption.

*Reserve Fund.* There will be deposited into the Reserve Fund from proceeds of the Bonds an amount equal to \$\_\_\_\_\_, which is approximately \_\_\_\_% of the Reserve Requirement. Pursuant to the Resolution of Intention, the Reserve Requirement is equal to the [lesser of \_\_\_\_% of the principal amount of the Bonds, 125% of average annual Debt Service or maximum annual Debt Service,] as defined in the Resolution of Issuance. Interest earnings on amounts in the Reserve Fund will be retained therein until the amounts in the Reserve Fund equal the Reserve Requirement. See "SECURITY FOR THE BONDS - Reserve Fund."

Proceeds from redemption or sale of properties with respect to which payment of delinquent assessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund. Moneys in the Reserve Fund shall be held in trust for the benefit of the City and the Bondowners as a reserve for the payment of principal of (including Sinking Fund Payments), and interest and any premium on, the Bonds. The Finance Director of the City is required to cause the Reserve Fund to be administered in accordance with Part 16 of the Bond Law.

(a) Use of Reserve Fund. Except as otherwise provided in the Resolution of Issuance, all amounts deposited in the Reserve Fund shall be used and withdrawn solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of (including Sinking Fund Payments), and interest and any premium on, the Bonds or in accordance with the provisions of the Resolution of Issuance, for the purpose of redeeming Bonds.

(b) Transfer Due to Deficiency in Redemption Fund. Transfers shall be made from the Reserve Fund to the Redemption Fund in the event of a deficiency in the Redemption Fund, in accordance with the Resolution of Issuance.

(c) Prepayment of Assessments. Whenever, after the issuance of Bonds, an assessment is paid, in whole or in part, as provided in the Bond Law, the Reserve Fund may be reduced in an amount equal to the product of the ratio of the original amount of the assessment so paid to the original amount of all assessments, times the initial Reserve Requirement. The prepayer will be entitled to a credit in a like amount in determining the amount of such prepayment, and the amount of such credit will be transferred from the Reserve Fund to the Redemption Fund.

(d) Transfer of Excess of Reserve Requirement. Whenever, on any Interest Payment Date, or on any other date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, there shall, except as provided in the Resolution of Issuance for purposes of rebate, be transferred on or before such Interest Payment Date an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used in accordance with Part 16 of the Bond Law.

(e) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund, when added to the balance in the Redemption Fund, is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the assessments shall be discontinued and the Reserve Fund liquidated in retirement of the Outstanding Bonds at the written direction of the City. In the event that the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Bonds, the excess after payment of amounts due to the City, shall be transferred to the City to be used in accordance with the Act and the Bond Law.

*Escrow Fund.* The Escrow Fund will be maintained and disbursed solely for the advance redemption of the Prior Bonds outstanding on the date of the delivery of the Bonds.

## **SECURITY FOR THE BONDS**

### **Assessments**

The Bonds are issued upon and secured by the unpaid assessments together with interest thereon and such unpaid assessments together with interest thereon constitute a trust fund for the redemption and payment of the principal of the Bonds and the interest thereon. All the Bonds are secured by the monies in the Redemption Fund and the Reserve Fund created pursuant to the assessment proceedings under the Resolution of Issuance and by the unpaid assessments levied. Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund and the Reserve Fund.

Although the unpaid assessments constitute fixed liens on the lots and parcels assessed, they do not constitute a personal indebtedness of the respective owners of such lots and parcels. There is no assurance that the owners shall be financially able to pay the assessment installments or that they shall pay such installments even though financially able to do so. See "BONDOWNERS'



## RISKS".

The unpaid assessments shall be collected in semi-annual installments, together with interest on the declining balances, on the tax roll on which general taxes on real property are collected and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the properties upon which the assessments were levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

### **Priority of Lien**

The assessment (and any reassessment thereof) and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same is paid. The lien is subordinate to all fixed special assessment liens imposed upon the same property prior to the date that the assessments became a lien on the property assesses, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. The lien is co-equal to and independent of the lien for general property taxes and any community facilities district special taxes.

**Although the unpaid assessments constitute fixed liens on the Assessment Parcels, they do not constitute personal indebtedness of the owners of the Assessment Parcels. Furthermore, there can be no assurance as to the ability of the owners to pay the unpaid assessments.**

### **Property Values**

The assessed value of the Assessment Parcels as shown upon the last equalized assessment roll of the County Assessor's Office is \$100,139,064. The lien due to the aggregate assessments in the District is \$2,000,000\*, which results in an aggregate value-to-lien ratio for the District of 50\* to 1. The parcels are all developed, and no one property owner is responsible for more than 5.1% of the total assessments securing the Bonds. See "THE DISTRICT - Property Values" herein.

### **Reserve Fund**

Out of the proceeds of the sale of the Bonds, the City will set aside the Reserve Fund an amount equal to approximately \_\_\_\_% of the Reserve Requirement. The Reserve Requirement is defined in the Resolution to be [the lesser of 10% of the principal amount of the Bonds, 125% of average annual Debt Service or maximum annual Debt Service,] where Debt Service means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation including any Sinking Fund Payments, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period. Interest earning on amounts in the Reserve Fund are required to be retained therein until the amount in the Reserve Fund reaches the Reserve Requirement. At an assumed interest rate of \_\_%, and assuming no draws on the Reserve Fund, the balance in the Reserve Fund is expected to reach the Reserve Requirement by \_\_\_\_\_. Monies in the Reserve Fund will be held by the Agent for the benefit of the City and the Bondholders as a reserve for the payment of principal of (including required sinking fund payments), interest and any premium on the Bonds.

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\* Preliminary, subject to change.

Monies in the Reserve Fund must be invested in Authorized Investments, as specified in the Resolution of Issuance.

### **Covenant to Commence Superior Court Foreclosure**

The Bond Law provides that in the event any assessment or installment thereof or any interest thereon is not paid when due, the City may order the institution of a court action to foreclose the lien of the unpaid assessment. In such an action, the real property subject to the unpaid assessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. However, the Resolution of Issuance provides that the City will commence foreclosure proceedings within 150 days following the due date of any delinquent installment of assessments securing the Bonds. On or before February 1 and June 1 of each fiscal year, the Finance Director of the City will cause the records of the County Tax Collector to be monitored to determine if there are any delinquencies in the payment of assessments in the District. If so, the Finance Director must notify the City Attorney, who shall commence, or cause to be commenced, foreclosure proceedings.

Delinquency in payment of current assessment installments does not result in an acceleration of the entire unpaid amount of the assessment, and therefore, property may be sold at foreclosure sale for only the amount of the currently due installments that are delinquent, plus penalties, interest and costs.

In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. Furthermore, it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See "BONDOWNERS' RISKS".

## **THE DISTRICT**

### **Site Location and Land Use**

The District is situated in the City of Lodi in the County of San Joaquin, California, and consists of [347] Assessment Parcels. The property is located in two separate zones, known as the Downtown Zone (sometimes referred to as Zone A in the Engineer's Report) and the Cherokee Lane Zone (sometimes referred to as Zone B in the Engineer's Report). The two zones do not overlap. For purposes of the Assessment spread, the Downtown Zone has been divided into two subzones, Subzone A-1 and Subzone A-2. See "THE IMPROVEMENT PROJECT - Method of Assessment" below.

The Downtown Zone is located in the historic central downtown business area of the City; the Cherokee Lane Zone is a commercial corridor also located in downtown Lodi. The Improvement Project is one component of a comprehensive and detailed action program consisting of public improvements, incentive programs, promotional programs and marketing strategies to revitalize the downtown. The program is being implemented by the City through the Catalyst Project for the Central City Revitalization Project, which was formally adopted by the City Council of the City on April 12, 1995. See "THE IMPROVEMENT PROJECT" herein.

Downtown Zone. The Downtown Zone, which contains [230] Assessment Parcels, encompasses a total of approximately 166 acres, or about 60 city blocks, which include streets and public rights of way. The Downtown Zone encompasses most of the City's important historical landmarks, civic buildings and cultural facilities. Current zoning within the Downtown Zone includes Commercial, Public Use, and Light Industrial. Land use within Zone A is mixed and

includes residential, commercial, multi-family, public facilities, non-profit organizations and light industrial. Approximately \_% of the total Assessments are levied on parcels in the Downtown Zone.

*Cherokee Lane Zone.* The Cherokee Lane Zone, which contains [117] Assessment Parcels, encompasses a total of approximately 107 acres, and extends almost the entire length of Cherokee Lane, a few blocks south of the Downtown Zone. Cherokee Lane, a six-lane street, was originally a section of State Highway 99, which was diverted when a new section of State Highway 99 was constructed in \_\_\_\_\_. Included in this Zone are all of the lots, parcels and/or portions of subdivisions which physically front on the proposed Cherokee Lane Improvements. Current zoning within the Cherokee Lane Zone includes Commercial and Light Industrial. Land use within the Cherokee Lane Zone is mixed and includes residential, commercial, multi-family, public facilities, non-profit organizations and light industrial, although the area is largely commercial in character.

### Property Values

For purposes off issuance of the Bonds, the City has not obtained a current market value appraisal of the Assessment Parcels. Rather, the City has relied on the current assessed valuations of the Assessment Parcels as shown on the records of the County Assessor for the fiscal year 1995-96. Those records indicate that the total assessed value of all Assessment Parcels in the District is \$100,139,064. When compared to the aggregate principal amount of the Bonds of \$2,000,000\*, the aggregate value-to-lien ratio is 50 to 1. The table below sets forth the number of parcels which fall into the indicated value-to-lien categories.

#### LODI ASSESSMENT DISTRICT No. 95-1 Value-to-Lien Categories

<u>Value to Lien</u>	<u>No. of Parcels</u>	<u>Assessed Value</u>	<u>% of Total</u>	<u>Assessment Lien</u>	<u>% of Total</u>
0 to 3:1					
3: 1 to 10:1					
10:1 to 30:1					
Over 30:1					

### Property Ownership

Property ownership in the District is well diversified. No one property owner owns more than 6.9% of the property in the District (in terms of assessed valuation) or is responsible for more than 5.1% of the total assessments in the District.

Because the District consists of two downtown areas, the parcels are predominantly commercial and retail, and residential owners have been given the option to opt out of the District while the parcel remains in residential use.

### Direct and Overlapping Bonded Indebtedness

Contained within the boundaries of the District are numerous overlapping local agencies providing public services. The direct and overlapping bonded indebtedness of property within the

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\* Preliminary, subject to change.

District with assessments securing the Bonds as of July 1, 1996 is shown in the table below. In addition to the bonded debt set forth in the table, new assessment districts or community facilities districts may be formed which encompass all or a portion of the property within the District and, upon approval of registered voters or landowners within such districts, may issue more bonds and levy additional special or other taxes or assessments.

In addition to the assessments described herein, the property owners within the District will be required to pay the general ad valorem property tax.

**LODI ASSESSMENT DISTRICT No. 95-1  
STATEMENT OF DIRECT AND OVERLAPPING BONDED INDEBTEDNESS  
WITHIN THE DISTRICT AS OF JULY 1, 1996**

1995-96 Assessed Valuation: \$100,139,064

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>% Applicable</u>	<u>Debt 7/1/96</u>
City of Lodi Assessment District No. 95-1	100.000%	\$- (1)
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>		
 OVERLAPPING LEASE OBLIGATION DEBT:		
San Joaquin County Certificates of Participation	0.464%	\$933,800
San Joaquin Delta Community College District Certificates of Participation	0.415	35,247
Lodi Unified School District Certificates of Participation	1.758	<u>174,833</u>
<b>TOTAL OVERLAPPING LEASE OBLIGATION DEBT</b>		<b>1,143,880</b>
 <b>COMBINED TOTAL DEBT</b>		<b>\$1,143,880 (2)</b>

- (1) Excludes 1915 Act Bonds to be sold.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Direct Debt .....	0%
Total Direct and Overlapping Tax and Assessment Debt.....	0.00%
Combined Total Debt.....	1.14%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/95: \$8,444

Source: California Municipal Statistics, Inc.

**THE IMPROVEMENT PROJECT**

The following description of the improvements to be funded by the Bonds is adapted from the Engineer's Report pertaining to the District prepared by Kjeldsen, Sinnock & Neudeck, Inc. Excerpts from the Engineer's Report is included herein as Appendix B.

The total cost of Assessment District improvements to be paid from Bond proceeds is \$2,783,008. The City is providing a cash contribution for related improvements in the amount of \$3,457,610. The improvement project comprises acquisition of the improvements listed below:

Downtown Area

The installation of new pedestrian-scale street lighting, street trees, pedestrian benches, a mini-pedestrian plaza, information kiosks, new sidewalks, trash receptacles, and various

pedestrian amenities, together with related electrical and irrigation facilities, along School Street, Oak Street and Pine Street. See "APPENDIX B- Excerpts from the Engineer's Report" for a more detailed listing of the proposed improvements.

#### Cherokee Lane Area

The renovation of an existing street median, the installation of median trees, landscaping, decorative street lights and other upgrades and improvements to the existing median. See "APPENDIX B - Excerpts from the Engineer's Report" for a more detailed listing of the proposed improvements.

#### **Allocation Of Assessment District Cost**

In general, Assessments for the District are apportioned in a manner intended to fairly and equitably distribute the costs of the Improvement Project among all assessable lots, parcels or subdivisions.

All Assessment Parcels in the District have been determined to benefit from the improvements incurred by the District. The amounts being funded by the District represent the total estimated costs for the construction of the revitalization improvements, the design and construction contingencies, the incidental construction costs, and the incidental assessment expenses, less the estimated construction fund interest earnings and the estimated City contribution towards the total costs of the District improvements. Assessments are being allocated on Assessment Parcels in the two Zones as follows:

Downtown Zone. Total assessable District costs allocable to the Downtown Zone will be reduced by the amount of the cash contributed by the City towards certain improvements in the Downtown Zone. The reduced cost will then be equally split and allocated such that fifty percent of the total assessable Downtown Zone costs and expenses will be spread among the lots, parcels and subdivisions of land lying within Subzone A-1, and fifty percent will be spread among the lots, parcels and subdivisions of land lying within Subzone A-2.

The Subzone A-1 costs will be apportioned proportionately to the actual area of each lot, parcel or subdivision of land as shown on the County Assessor's equalized tax roll as it existed on September 20, 1995. Similarly, the Subzone A-2 costs will be apportioned proportionately to the actual area of each lot, parcel or subdivision of land as shown on the County Assessor's tax roll.

Cherokee Lane Zone. Total assessable District costs allocable to the Cherokee Lane Zone will also be reduced by the amount of the cash contributed by the City towards certain improvements in the Cherokee Lane Zone. The reduced cost will then be equally split and allocated such that fifty percent of the total assessable Cherokee Lane Zone costs and expenses will be spread on the basis of the actual area of the lots, parcels and subdivisions of land in the Cherokee Lane Zone. The remaining fifty percent of the cost will be spread proportionately amongst all the assessable lots, parcels and subdivisions of land lying within the Cherokee Lane Zone on the basis of the actual linear feet of frontage along Cherokee Lane of each lot, parcel or subdivision of land, in proportion for the total assessable linear footage of all assessable lots, parcels and subdivisions of land lying in the Cherokee Lane Zone.

Additionally, within both Zones of the District, those lots, parcels or subdivisions of land which have outstanding unpaid principal balance of assessments allocable to the Prior Bonds will be assessed their pro rata share for the prepayment of assessments securing the remaining principal balance of such Prior Bonds. Lots, parcels and subdivisions within both Zones of the District which are zoned Public Use and are currently occupied by public agencies, utilities or railroads, or public easements or rights-of-ways, are omitted from the assessment made to cover the costs and

expenses of the Improvement Project.

## **BONDOWNERS' RISKS**

This Special Risk Factors section of the Official Statement does not summarize the Official Statement. Rather it supplements other sections in order to provide a practical perspective on the material risks of the investment. Necessarily, the listing and discussion of risks is neither comprehensive nor definitive. It is based largely upon typical experience with special assessment bonds in other situations.

### **General**

Debt service on the Bonds is payable from installment payments of principal and interest on unpaid assessments on the Assessment Parcels. The principal of the assessment is the aggregate of the amounts of the individual assessments levied against the Assessment Parcels. The individual assessment on a parcel will be paid in annual installments, together with interest on the unpaid balance, unless the unpaid balance is subsequently prepaid. The annual installments of principal and interest with respect to an Assessment Parcel will be collected on the County tax roll at the same time and in the same manner as general real property taxes are collected. The annual installments of principal and interest with respect to all Assessment Parcels are equal in the aggregate to the annual debt service on the Bonds. The remaining unpaid balance will be paid in annual installments together with interest thereon.

A Reserve Fund in an amount of the Reserve Requirement will be established from the proceeds of the sale of the Bonds. Monies in the Reserve Fund will be used to pay debt service on the Bonds in the event installment collections of the assessment are insufficient. There is no assurance, however, that at any particular time the Reserve Fund will be sufficient for that purpose. See the discussion below under the caption "Depletion of Reserve Fund."

Payment of the assessment installments is secured by the Assessment Parcels. In the event an assessment installment is not paid when due, the City Council may institute foreclosure proceedings in court to cause the Assessment Parcel to be sold in order to recover the delinquent amount from the proceeds of the sale of the Assessment Parcel. The foreclosure remedy is alternative to the usual property tax collection procedures which will be used unless foreclosure proceedings are instituted. Foreclosure and sale and tax collection procedures, however, may not result in the recovery of the full amount of delinquent assessment installments. See the discussion below under the caption "Foreclosure and Sale Proceedings."

The sufficiency of tax or foreclosure sale proceeds to cover delinquent amounts depends in part on the market for and the value of the Assessment Parcel at the time of the tax or foreclosure sale. The facts and circumstances determining value at any given time may include contemplated land ownership, development plans and other factors affecting the progress of land development, economic conditions affecting real estate values and natural conditions affecting the use of the Assessment Parcels, as well as a number of additional factors many of which are discussed or referred to herein. Future substantial changes may result in future values and value relationships that differ significantly from the present value and value relationships. See the discussion below under the caption "Factors Affecting Parcel Value and Aggregate Values."

The sufficiency of tax or foreclosure sale proceeds to cover delinquent amounts may also depend on the value of any prior or parity liens and similar claims. Governmental liens may presently exist or may arise in the future with respect to an Assessment Parcel which, unless subordinate to the assessment, may effectively reduce the realizable value of the parcel for the benefit of the assessment. Other claims, such as hazardous substance claims, may also affect the

realizable value even though such claims may not rise to the status of liens. See the discussion below under the caption "Other Possible Claims Upon the Value of an Assessment Parcel."

Timely foreclosure and sale proceedings with respect to an Assessment Parcel may be forestalled or delayed in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Not only may foreclosure and sale proceedings be forestalled and delayed, but sale of an Assessment Parcel by the county tax collector may be similarly affected by bankruptcy. Further, payment of assessment installments may be subordinated to bankruptcy law priorities. See the discussion below under the caption "Bankruptcy Proceedings."

Although bankruptcy proceedings may forestall or delay a foreclosure and sale or a tax sale of a delinquent parcel the assessment is secured by a lien which, assuming proper procedures are followed, may be enforced against the parcel. The owner of an Assessment Parcel however, is not personally obligated to pay the installment. See the discussion below under the caption "Payment of the Assessment Not a Personal Obligation."

Further, except from the Reserve Fund, the City is not obligated to pay debt service on the Bonds in the event assessment installment collections are delinquent, nor is the City obligated to advance funds to pay debt service. See the discussion below under the caption "Limited City Obligation to Pay Debt Service."

Finally, even if the debt service is timely paid the interest on a Bond may have to be included in the gross income of the owner of the Bond by reason of some circumstance occurring subsequent to issuance of the Bonds. See the discussion below under the caption "Loss of Tax Exemption."

### **Depletion of Reserve Fund**

Bond proceeds in an amount equal to the Reserve Requirement will be deposited in the Reserve Fund. (See "SECURITY FOR THE BONDS - Reserve Fund"). Whenever there are insufficient funds in the Redemption Fund to pay the next maturing installment of principal and interest on the Bonds, the amounts necessary to make up the deficiency, to the extent available, will be transferred from the Reserve Fund to the Redemption Fund. Amounts so transferred will be reimbursed to the Reserve Fund from the payments of delinquent installments and from the proceeds of redemption or sale of delinquent parcels.

The Reserve Fund is subject to reduction if and when the unpaid balance of the assessment on a parcel is prepaid. Upon prepayment of an assessment in whole, the City is required to reduce the Reserve Fund by a proportional reduction equal to the ratio of the amount initially provided for the Reserve Fund to the total amount originally assessed. Upon prepayment of an assessment in part only, the Reserve Fund is reduced by a proportionate lesser amount. A reduction in the Reserve Fund by prepayment of an assessment is a permanent, non reimbursable reduction, but the amount remaining in the Reserve Fund after a prepayment will bear approximately the same proportionate relationship to outstanding Bonds as would be the case if the prepayment was not made because accumulating assessment prepayments will be used to redeem Bonds earlier than their maturity dates.

The Reserve Fund may be invested, and, to the extent that investment earnings will not result in the interest on the Bonds becoming subject to federal income taxation, the investment earnings may be deposited in the Reserve Fund thereby increasing the balance up to the Reserve Requirement. Nevertheless, there is no assurance that the amount in the Reserve Fund will, at any particular time, be sufficient to pay debt service on the Bonds nor that the Reserve Fund will be fully reimbursed for any amounts expended for debt service.

## **Foreclosure and Sale Proceedings**

The City Council is obligated under certain conditions to institute foreclosure and sale proceedings against Assessment Parcels which have delinquent assessment installments, and may do so in other circumstances even if not so obligated. Foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the Assessment Parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. Upon judgment of foreclosure the Assessment Parcel may be offered for sale at a minimum price. The established minimum price will be sufficient to cover the amount of the delinquent installments and unpaid interest together with penalties, costs, fees and charges and the costs of execution and sale.

However, in the event an Assessment Parcel does not sell for the minimum price the court may modify its judgment and reduce or eliminate the minimum price. In order to do so, however, written notice of a hearing on the matter of reducing or eliminating the minimum price is required to be given all registered Owners of the Bonds.

If at the hearing the court determines that such a sale will not result in an ultimate loss to the Bondowners, or if the owners of seventy-five percent (75%) of the outstanding Bonds by principal amount consent and the sale will not result in an ultimate loss to the nonconsenting owners of Bonds, the court may reduce or eliminate the minimum price at which an Assessment Parcel may be sold. Further, if the owners of seventy-five percent (75%) of the outstanding Bonds by principal amount consent the court may reduce or eliminate the minimum price at which a Assessment Parcel may be sold even if sale below the minimum price will result in an ultimate loss to nonconsenting owners of Bonds, provided that the court makes certain additional determinations specified by statute including the reasonable unavailability of any other remedy acceptable to the owners of seventy-five percent (75%) or more of the outstanding Bonds by principal amount. Upon sale of the Assessment Parcel for less than the minimum price the remaining unpaid balance of the assessment on the Assessment Parcel will be reduced by the difference between the minimum price and the sale price. By such a reduction the aggregate principal amount of the outstanding Bonds will exceed the aggregate principal amount of the unpaid assessment.

Under such circumstances, unless other funds are available or unless consenting owners of Bonds agree to the protection from ultimate loss of nonconsenting owners of Bonds, proportionate payments are to be made, periodically, of the unpaid principal and interest of the Bonds without priority or preference between Bondowners as funds become available from collection of the unpaid assessment installments. The maturity dates of the Bonds are to be disregarded and no redemption premiums are to be payable on payments of the principal of Bonds the maturity dates of which are subsequent to the date of any such payments. The Bondowners may be required to surrender the Bonds for cancellation in order to participate in such proportionate payments.

## **Factors Affecting Parcel Value and Aggregate Values**

The Bonds are secured by all of the unpaid assessments on all of the Assessment Parcels. Therefore the value of the Assessment Parcels must also be evaluated in the aggregate. The following are some of the factors which may affect the market for and value of particular Assessment Parcels individually and in the aggregate.

The completion of Assessment District improvements. The basis for the assessment is the benefit to the assessed parcels from the District improvements. Failure to complete the improvements in a timely manner means that the assessment on the Assessment Parcels not served or fully served by improvements may exceed the benefit, and even if benefit is not exceeded the assessment may exceed a secure relationship to value.



Geologic, topographic and climatic conditions. Values of Assessment Parcels can be adversely affected by a variety of natural events and conditions. These include, without limitation:

- geologic conditions such as earthquakes;
- topographic conditions such as earth movements and floods; and
- climatic conditions such as droughts.

The possibility of the occurrence of some of these conditions and events has been taken into account to a limited extent in the design of the District improvements and has been or will be taken into account to a limited extent in the designs of other public improvements which may be approved by the City or other public agencies. Building codes require that some of these conditions be taken into account to a limited extent in the design of private improvements. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change from time to time leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria, at the time of their establishment, reflect a balance between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Also reflecting that balance are decisions not to impose design criteria at all.

The City expects that one or more of these conditions may occur from time to time, and, even if design criteria do exist, such conditions may result in damage to property improvements. That damage may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of the Assessment Parcels could depreciate substantially notwithstanding the establishment of design criteria.

Legal requirements. Other events which may affect the value of an Assessment Parcel include changes in the law or application of the law. Such changes may include, without limitation, the following:

- local growth control initiatives;
- local utility connection moratoriums;
- local application of statewide tax and governmental spending limitation measures.

Prepayment of assessments. There is rarely a uniform relationship between the value of Assessment Parcels and the proportionate share of debt service on the Bonds to be borne by the Assessment Parcels.

One of the factors that may effect a significant change in the relationship between the aggregate Assessment Parcel values and the assessment is the prepayment before final bond maturity of the remaining balance of the assessments on particular Assessment Parcels. Should the assessments on Assessment Parcels having a relatively high ratio of value to assessment be prepaid, the security for the Bonds, as evidenced by the ratio of the aggregate remaining Assessment Parcel values to the remaining balance of the assessment, will be reduced.

#### **Other Possible Claims Upon the Value of an Assessment Parcel**

While the assessment is secured by the Assessment Parcels the security only extends to the value thereof that is not subject to priority and parity liens and similar claims relative to the assessments.

Other governmental obligations may be authorized and undertaken or issued in the future the tax, assessment or charge for which may become an obligation of one or more of the Assessment Parcels and may be secured by liens on a parity with the liens of the assessments

securing the Bonds.

In general, as long as installments of the assessment are collected on the county tax roll, the installments and all other taxes, assessments and charges also collected on the tax roll are on a parity. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings of foreclosure for delinquency of installments of an assessment securing the Bonds, the assessment will have priority over specific-amount special assessments levied subsequent to the levy of the assessments but will be subordinate to those referred to above. Otherwise, in the event of such foreclosure proceedings the installments of the assessment will generally be on a parity with the other taxes, assessments and charges. The assessment will have priority over non-governmental liens on an Assessment Parcel regardless of whether or not the non-governmental liens are in existence at the time of the levy of the assessment.

While governmental taxes, assessments and charges are a common claim against the value of an Assessment Parcel other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the assessment installments is a claim with regard to a hazardous substance. The City has experienced a soil and water pollution problem below the central downtown area, that, according to a State-commissioned study, may take 20 years and many millions of dollars to clean up. The contamination involves PCE, or tetrachloroethene, a dry cleaning solvent, first found in a City well in 1989. Eleven business have been named as confirmed sources of contamination; none of these businesses are located in or are responsible for assessments in the District. An agreement is still being developed between the City and the State Department of Toxic Substances Control to spell out responsibilities and the cleanup plan. It is not known what impact the contamination and cleanup will have on property values of parcels in the District.

In general, the owners and operators of an Assessment Parcel may be required by law to remedy conditions of the Assessment Parcel relating to released or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act", is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws the owner or operator of a property is obligated to remedy a hazardous substance condition whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the Assessment Parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition.

The values shown in the section herein entitled "THE DISTRICT - Property Values" do not take into account, unless otherwise noted, the possible reduction in marketability and value of any of the Assessment Parcels by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the Assessment Parcel.

Further, it is possible that liabilities may arise in the future with respect to any of the Assessment Parcels resulting from the current existence on the Assessment Parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence on the Assessment Parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of an Assessment Parcel that is realizable upon delinquency.

## **Bankruptcy Proceedings**

Regardless of the priority of the assessment securing the Bonds over non-governmental liens the exercise by the City of the foreclosure and sale remedy or by the county of the tax sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner of an Assessment Parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale or tax sale proceedings thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owner owns Assessment Parcels the assessments of which are significant or if bankruptcy proceedings are instituted with respect to a number of owners owning Assessment Parcels the assessments of which are significant, may result in periodic assessment installment collections which, even in conjunction with the Reserve Fund, may be insufficient to pay the debt service on the Bonds as it comes due. Further, should remedies be exercised under the bankruptcy law against the Assessment Parcels, payment of installments of the assessment may be subordinated to bankruptcy law priorities. Therefore, certain claims may have priority over the assessment lien, even though they would not were the bankruptcy law not applicable.

## **Payment of the Assessment Not a Personal Obligation**

The owners of Assessment Parcels are not personally liable for the payment of the assessment or the assessment installments. Rather, the assessment is an obligation only of the Assessment Parcels. If the value of an Assessment Parcel is not sufficient to fully secure the assessment on it the City has no recourse against the owner under the laws by which the assessment has been levied and the Bonds have been issued.

## **Limited City Obligation to Pay Debt Service**

The City has a limited obligation to advance funds to pay debt service on the Bonds in the event assessment installment collections are insufficient. **THE CITY'S OBLIGATION TO ADVANCE FUNDS IS LIMITED, WILL NOT EXCEED THE AMOUNT ON DEPOSIT FROM TIME TO TIME IN THE RESERVE FUND, AND IF SO ADVANCED WILL REDUCE THE RESERVE FUND BY THE AMOUNT OF THE FUNDS ADVANCED.** Notwithstanding the limited nature of the City's obligation, the City may, at its option and in its sole discretion, elect to advance available funds of the City in the amount of any delinquent assessment installments to pay debt service on the Bonds. Should the City do so it is entitled to reimbursement from the first proceeds of any payments of delinquent installments or the redemption or sale of delinquent Assessment Parcels. **OWNERS OF BONDS MAY NOT RELY UPON THE CITY TO ADVANCE FUNDS TO PAY DEBT SERVICE ON THE BONDS UPON DEPLETION OF THE RESERVE FUND EVEN IF THE CITY MAY HAVE PREVIOUSLY DONE SO OR MAY DO SO CONTEMPORANEOUSLY WITH RESPECT TO OTHER BONDS OR OBLIGATIONS.**

## **Loss of Tax Exemption**

As discussed in the section herein entitled "LEGAL MATTERS - Tax Exemption," interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance, as a result of acts or omissions of the City subsequent to issuance in violation of the City's covenants applicable to the Bonds. Should interest become includable in gross income the Bonds are not subject to redemption by reason thereof and may remain outstanding. The Bonds are subject to redemption for other reasons as discussed in the section herein entitled "THE BONDS - Redemption."

## **LEGAL MATTERS**

All proceedings in connection with the issuance of the Bonds are subject to the approval of Timothy J. Hachman, Esq., Bond Counsel for the City in connection with the Bonds. The form of opinion of Bond Counsel is attached hereto as Appendix C and will be printed on each Bond. Bond Counsel expresses no opinion with respect to this Official Statement. Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemptions of interest on the Bonds from income taxation (see section hereof entitled "TAX-EXEMPTION"). Timothy J. Hachman, Esq. has been retained by the City as Bond Counsel on a contingent fee, payable solely from the proceeds of the Bond issue.

## **TAX EXEMPTION**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming compliance with certain covenants described herein, interest on the Bonds is exempt from personal income taxes imposed by the State of California, and is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, Bond Counsel notes that, with respect to corporations (as defined for federal income tax purposes), interest on the Bonds will be included in determining corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Bonds is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code"), which must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and/or other items of income or deductions, and Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before buying any of the Bonds.

Bond Counsel expresses no opinion regarding other income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

## **NO LITIGATION**

There is no action, suit, or proceeding known by the City to be pending at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the execution or delivery thereof. A no litigation certificate executed by the City Attorney shall be required to be delivered to the original purchaser of the Bonds simultaneously with the delivery of the Bonds.

## **NO RATING**

The City has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Seidler-Fitzgerald Public Finance (the "Underwriter"). The Underwriter has agreed to purchase the Bonds from the City at a price of \$\_\_\_\_\_, which is equal to the principal amount of the Bonds less an underwriter's discount of \$\_\_\_\_\_, less an original issue discount of \$\_\_\_\_\_. The public offering prices may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement.

## **MISCELLANEOUS**

Quotations from and summaries and explanations of the Bonds, the Resolution of Issuance, and the statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents and statutes for complete statements of their provisions.

Appropriate City officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein not misleading. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or registered owners of any of the Bonds.

## **CITY OF LODI**

By: \_\_\_\_\_  
Assistant City Manager

## **APPENDIX A**

### **Economic Profile of the City of Lodi**

The City, whose boundaries encompass approximately 5,785 acres or 12 square miles, is located in California's San Joaquin Valley, 90 miles east of San Francisco and ten miles north of Stockton. It is located on the main line of the Southern Pacific Railroad and is within five miles of Interstate 5. The City was incorporated as a General Law city on December 6, 1906, and operates under a Council-Manager form of government.

Lodi is a major agricultural shipping center in the San Joaquin Valley. The prime agricultural land surrounding the City is a major producer of wine and brandy grapes, primarily the Fame Tokay variety. In addition to the local wineries, a large cannery, Pacific Coast Producers, is a prominent employer. The City is also the home of the west coast General Mills plant for the production of cereals and food mixes.

#### **Population**

The historic population estimates of the City are shown in the following table.

#### **CITY OF LODI Population (as of January 1)**

<u>Year</u>	<u>Population</u>
1991	52,700
1992	52,900
1993	52,900
1994	53,000
1995	53,600
1996	54,500

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Source: California State Department of Finance

## Employment

The largest employers as of June 1995 are set forth below.

### **CITY OF LODI Largest Employers June 1995**

<u>Company</u>	<u>Product/Service</u>	<u>Employees</u>
Lodi Unified School District	Public Education	2,247
General Mills	Cereals and Food Mixes	897
Pacific Coast Producers	Can Manufacturer and Cannery	300-1,500
Lodi Memorial Hospital	Healthcare	650
City of Lodi	Government	410
Valley Industries	Trailer Hitches	300
Guild Winery	Wines, Brandy and Champagne	212
George Reed Co.	Building Materials, Cement	190
Interlake/Lodi Fab	Machine Fabrication	185
Farmers and Merchants Bank	Banking	183
RM Holz	Rubber Products	170
Mervyn's	Retail	170

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Source: City of Lodi

## Effective Buying Income

The following table summarizes the total effective buying income for the City, the State and the United States for the period 1991 through 1995.

**CITY OF LODI**  
**Effective Buying Income**  
**As of January 1**

<u>Year and Area</u>	<u>Total Effective Buying Income (in thousands)</u>	<u>Median Household Effective Buying Income</u>
1991		
City of Lodi	\$ 2,233,467	\$23,497
California	444,988,647	30,713
United States	3,287,489,252	25,976
1992		
City of Lodi	2,446,540	25,554
California	477,784,771	33,342
United States	3,499,365,237	27,912
1993		
City of Lodi	2,468,450	28,274
California	490,749,649	36,943
United States	3,728,967,043	32,073
1994		
City of Lodi	2,573,960	28,716
California	509,152,677	37,686
United States	3,916,947,023	33,178
1995		
City of Lodi	2,641,525	29,830
California	528,958,745	39,330
United States	4,169,724,052	35,056

Source: Survey of Buying Power, *Sales and Marketing Management Magazine*

### Commercial Activity

A summary of historic taxable sales within the City is shown below.

**CITY OF LODI**  
**Taxable Transactions**  
**(\$'s in thousands)**

<u>Year</u>	<u>Outlets July 1</u>	<u>Taxable Sales</u>
1989	4,571	\$1,690,162
1990	4,815	1,779,380
1991	4,498	1,723,746
1992	4,339	1,727,262
1993	4,339	1,696,736
1994(1)	4,166	1,316,543

(1) First three quarters only; represents a 6.6% increase over taxable sales in the first three quarters of 1993.  
Source: State Board of Equalization



## Construction Activity

Building activity for the past five years in the City is shown in the following table.

### CITY OF LODI Total Building Permit Valuations (\$'s in thousands)

<u>Calendar Year</u>	<u>Residential Permits</u>	<u>Residential Valuation</u>	<u>Non-Residential Valuation</u>	<u>Total Valuation</u>
1989	968	\$ 93,868	\$13,813	\$150,857
1990	1,418	136,691	78,222	214,913
1991	954	100,027	77,965	177,993
1992	1,106	109,733	51,691	161,424
1993	1,174	121,147	67,410	188,557
1994	1,114	111,600	39,767	151,427

Source: Economic Sciences Corporation, California Building Permit Activity

## Assessed Valuations

The following table presents a five-year history of assessed valuations of taxable properties within the City's boundaries.

### CITY OF LODI Assessed Valuations (\$'s in thousands)

<u>Fiscal Year</u>	<u>Secured Value</u>	<u>Unsecured Value</u>	<u>Utility Value</u>	<u>Gross Assessed Value</u>
1989-90	\$5,163,523	\$625,499	\$13,826	\$5,802,848
1990-91	5,815,783	680,990	13,407	6,510,180
1991-92	6,489,748	688,949	12,389	7,191,087
1992-93	6,908,249	707,843	8,627	7,624,720
1993-94	7,273,928	724,165	10,645	8,008,738
1994-95	7,358,321	744,923	11,171	8,114,415

Source: San Joaquin County Assessor's Office